Italian sell-offs
Momentum gathers pace again
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War on cancer
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Britain and the EU
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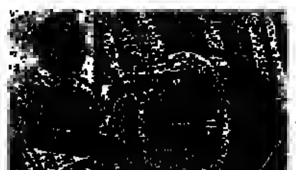

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Global Custody
Bristol
Separate Sections

FINANCIAL TIMES

Europe's Business Newspaper | TUESDAY NOVEMBER 29 1994 | D8523A

Iberia crisis talks as dispute halts Spanish flights

Airline management and unions were locked in crisis talks last night to stop Iberia, Spain's national carrier, from sliding into bankruptcy. Strikes in all domestic airports brought air traffic in Spain to a virtual halt, stranding tens of thousands of passengers. The airport chaos highlighted a bitter confrontation over management plans to slash the airline's costs. The dispute threatens to disrupt Spain's ruling socialist government and to strain the country's relations with the European Commission. Page 20; Lex, Page 20

UK Tories face down rebels: Kenneth Clarke, chancellor of the exchequer, delivered an uncompromising defence of Britain's policy towards the European Union as the government faced down a threatened rebellion by its own backbench MPs over the Brussels budget. Page 20; Minister turns down House of Lords, Page 10; Joe Rogaly, Page 18

Bayer, German chemicals multinational, is to re-focus its pharmaceuticals research away from more crowded market sectors and towards treatments for allergies, rheumatic ailments and Alzheimer's disease. Page 21; Lex, Page 20

EU to lift Syrian arms embargo: The European Union is to lift its eight-year embargo on sales of arms to Syria. The decision was immediately condemned by Israel's foreign minister Shimon Peres. Page 20

China saves face on Gatt deadline: China said it would offer no new concessions in negotiations to rejoin the General Agreement on Tariffs and Trade if talks were not concluded by the end of the year, but indicated it would continue to negotiate after the deadline. Page 8

Close Uruguayan poll to slow reform

Julio Maria Sanguinetti (left) was declared president-elect of Uruguay, as his Colorado party edged ahead of the governing Blanco party and the left-wing Encuentro Progresista coalition in the country's closest ever election. The virtual three-way tie, mirrored in parallel congressional elections, will force Mr Sanguinetti to forge a coalition, which is likely to slow Uruguay's cautious reform process. Page 4

Renault, the French state-owned motor group floated on the stock market earlier this month, should be privatised in the second half of next year, said French industry minister José Rossi. Page 21

Chechnya threat to Russian lives: The breakaway Russian republic of Chechnya threatened to execute 70 Russian fighters it claimed to have captured unless Moscow admitted it was directly involved in trying to destabilise President Dzhokhar Dudayev's regime. Page 2

Kohl sets pace: Germany's Chancellor Helmut Kohl, easily re-elected as leader of the governing Christian Democrats, warned his party of the need to liberalise the economy and open itself up to the younger, and female, generation. Page 2

Japan Airlines said its earnings would be unaffected by estimated losses on 1985 forward currency buying contracts of Y176.3bn ($1.7bn) by the end of this accounting year. Page 21

Republicans jockey for 1996: The developing rivalry between two potential Republican presidential candidates, Senators Robert Dole and Phil Gramm, could get an early airing this week as the party begins to choose senior congressional leadership positions. Page 4

Mass murderer killed: American mass murderer Jeffrey Dahmer was killed in an attack in a Wisconsin prison where he was serving 15 life sentences for murdering 17 young men and boys.

Taiwan concerned at pace of growth: Taiwan's economy showed signs of overheating in October for the second consecutive month, the country's planning ministry warned. Page 7

Ethiopia's Moslems protest: About 100,000 Moslem Ethiopians demonstrated in Addis Ababa against their treatment in the secular state. About 45 per cent of Ethiopians are Moslems but Coptic Christians hold sway over most of the country.

Chagall suspects held: Two well-known figures in the Paris art world have been held on suspicion of theft and receiving stolen paintings by Marc Chagall. Police said at least 40 paintings were taken from Chagall's studio after he died in 1985 and sold for about FFr50m ($10m).

STOCK MARKET INDICES

FT-SE 100:	3,047.1	(+13.6)
Yield	4.22	
FT-SE Eurotrack 100	1,335.02	(+6.25)
FT-SE-A All-Share	1,514.98	(+0.4%)
Nikkei	18,811.36	(+144.43)
New York: lunchtime		
Dow Jones Ind Ave	3,729.81	(+21.53)
S&P Composite	452.96	(+0.67)

US LUNCHTIME RATES

Federal Funds:	$5\frac{11}{16}$%
3-mo Treas Bills: Yld	5.598%
Long Bond	$94\frac{3}{16}$
Yield	7.974%

LONDON MONEY

3-mo Interbank	$6\frac{1}{8}$%	($6\frac{1}{16}$%)
Liffe long gilt future:	Dec $103\frac{1}{2}$	(Dec$103\frac{5}{32}$)

NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$17.08	(17.175)

Gold

New York Comex (Dec)	$382.9	(384.7)
London	$384.0	(384.95)

STERLING

New York lunchtime:		
$	1.563	
London:		
$	1.5632	(1.5631)
DM	2.4453	(2.4386)
FFr	8.3928	(8.3716)
SFr	2.0739	(2.0643)
Y	154.093	(154.375)
£ Index	79.9	(79.8)

DOLLAR

New York lunchtime:		
DM	1.56515	
FFr	5.3765	
SFr	1.3265	
Y	98.65	
London:		
DM	1.5643	(1.5589)
FFr	5.369	(5.3559)
SFr	1.3267	(1.3207)
Y	98.575	(98.765)
$ Index	62.9	(62.6)

Tokyo close Y 98.93

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira90	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr18	Italy	L3000	Oman	OR1.50	Sweden	SKr18
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Ps50	Syria	S£50.00
Finland	FM14	Kuwait	Fils.625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr8.50	Lebanon	US$1.50	Portugal (m'land)	Es225	Turkey	L30000
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00

West unites to call for settlement in former Yugoslavia

Five-nation contact group in talks with Serbian president

By Laura Silber in Belgrade, Emma Tucker in Brussels and David Buchan in Paris

The US, its European allies and Russia, struggling to avert a bitter international row over Bosnia, joined forces yesterday to press for a ceasefire in the enclave of Bihac and a broader settlement in former Yugoslavia.

Mediators from the five-nation contact group – comprising the US, Russia, Britain, France and Germany – held secret talks with Serbian President Slobodan Milosevic at a villa in a remote area north of Belgrade.

In a day of hectic diplomatic activity in former Yugoslavia, Washington and Brussels, the contact group also called for an immediate truce in both Bihac and Bosnia as a whole.

Mr William Perry, the US defence secretary, said Washington would "seriously consider" any request for troops to help oversee the withdrawal of UN peacekeepers from Bosnia. But he hoped that no pull-out would be necessary, as the peacekeepers were playing an important role.

His comments were welcomed in Europe as a sign that the US administration, unlike Congress, remained sympathetic to its allies' concerns.

In Bihac, blood-letting dragged on as two mortar rounds exploded within the notionally UN-protected safe area and one man, apparently a civilian, was killed. Diplomatic recriminations over Bosnia also continued, with European Union foreign ministers angrily rejecting an attack by Mr Robert Dole, leader-elect of the US Senate's Republican majority, on the stance of Britain and France.

Mr Douglas Hurd, the UK foreign secretary, said Mr Dole's comments – calling for an immediate UN withdrawal and arms deliveries to Bosnia – reflected a mistaken view about what outside forces could do to end the fighting. Mr Dole said he hoped to narrow his differences with the UK over Bosnian policy in a trip to Europe starting today. "Nato's inability to respond to a war of aggression on southeastern Europe raises serious questions about Nato's future plans to expand to central and eastern Europe," Mr Dole said before he left.

In a clear reference to US calls for tougher air action, Mr Hurd said peace in the Bihac area "will not be achieved by fostering illusions about what Nato air power can achieve".

The UN was continuing yesterday to work for a ceasefire accord between Bosnia's Moslem-led government – which favours a three-month truce – and the Serbs, who prefer any truce to be indefinite. British officials said the contact group mediators were briefing Mr Milosevic on the group's latest ideas, which are reported to include a further easing of sanctions on Serbia if he fully recognises Croatia.

The group, in a significant concession, has also indicated that it will consider allowing the Bosnian Serbs a "special relationship" with Serbia if they accept the international peace plan.

The idea of "confederal ties" between the Bosnian Serbs and Belgrade was firmly rejected by the Bosnian government last night, and western officials stressed that the issue could not even be raised unless the Serbs agree to the existing peace proposals.

France, meanwhile, launched a fresh appeal to the UN and Nato to "ensure the respect" of safe havens in Bosnia. Paris called for a renewed effort to find an overall settlement between Serbia, Bosnia and Croatia that took no account of recent Serb gains in the Bihac area.

Despite the signs of improving international co-ordination over Bosnia, bitter arguments were raging in several western capitals over how to settle the conflict, and there were fresh warnings of the danger to the Atlantic alliance.

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Large postal vote may favour the Yes side

Hoping for a Yes from fellow Norwegians: Gro Harlem Brundtland, the country's prime minister, brandishes the envelope containing her vote on European Union membership at a polling station in Oslo yesterday Picture: Reuter

Polls see close finish in Norway EU vote

By Hugh Carnegy and Karen Fossli in Oslo

Two election-day opinion polls last night predicted a neck-and-neck outcome in Norway's vote on membership of the European Union in yesterday's referendum.

One poll on the state NRK television network forecast a 52.8 per cent majority for the No side, while the commercial station TV2 predicted a Yes victory with a majority of 50.1 per cent. Indicating that the race was neck-and-neck, after 35 of 628 municipalities had been counted the Yes side led by 52 to 48 per cent.

Both sides said the surveys were not conclusive pointers. A crucial factor is likely to be the 13 per cent of total votes cast as postal ballots in advance and not reflected in the opinion polls. This vote was particularly large in cities where the Yes side is counting on a big majority.

Officials said turnout yesterday had been high among the 3.6m voters. They said it could reach 85 per cent.

Norway is the last of four countries from the European Free Trade Association to hold a referendum on whether to join the EU, which currently has 12 members, next year. Austria, Finland and Sweden have voted to join.

After Sweden approved membership earlier this month, the Yes side in Norway began making gains as the Labour government, led by Mrs Gro Harlem Brundtland, the prime minister, urged Norwegians not to leave the country isolated.

Mrs Brundtland has made as her central political goal the reversal of Norway's rejection of membership of the European Economic Community in 1972.

Despite the traditional reluctance of Norwegians to embrace Brussels – many fear it will erode the country's independence and control of petroleum and other natural resources – Mrs Brundtland has sought to

Continued on Page 20

ABC owner joins Spielberg in TV venture

By Tony Jackson in New York

Capital Cities/ABC, owner of the US television network ABC, is to join forces with the newly formed Hollywood trio of Spielberg, Katzenberg and Giffen to create a TV studio.

The joint venture, in which the two sides will initially invest $100m apiece, aims to produce and syndicate a broad range of TV programmes.

The venture puts ABC in the vanguard of a general move by the US TV networks into producing their own material, from which they were largely barred by government regulation until last year.

It is also expected to increase the level of competition with the Hollywood studios, some of which plan to set up their own TV networks in retaliation.

The partnership between the film maker Steven Spielberg, former Disney production chief Jeffrey Katzenberg and the recording impresario David Geffen was set up in October to produce films, music, cartoons and interactive entertainment as well as TV programmes.

The trio's original intention to strike a deal with the Hollywood studio MCA has been thwarted by uncertainties over the relationship between MCA and its parent, Matsushita of Japan.

Mr Katzenberg, whose recent resignation from Walt Disney was seen as a blow to the company, said: "As the entertainment industry looks to the future, it is clear that one of the most important considerations will be the ever-evolving relationship between the Hollywood studios and the broadcast community. When David, Steven and I formed our company, one of our initial goals was to build a strategic alliance with a broadcast power."

An ABC executive said the initial $200m investment was merely a start-up figure. "If it is working well and needs more, we'll be willing to invest more," she said. While ABC had invested in its own production facilities and in other joint projects, this would be its largest production venture.

The partners said the new venture would produce programmes for TV networks and cable TV, and would also syndicate its material. Under government regulation, the US networks are barred from domestic syndication until November 1995, although they are permitted to syndicate abroad. ABC said programmes from the venture are not expected to be on air before 1996.

The studio will be managed as a separate entity, with day-to-day operations controlled by a senior executive yet to be appointed.

The venture illustrates a growing trend in the US whereby the explosion in communications media has created a large appetite for entertainment material. Many in the industry believe most profit in the next few years will go to the providers of content, rather than the owners of the distribution channels.

Lex, Page 20

Campbell Soup adds hot sauce to spice up US sales

By Richard Tomkins in New York

Campbell Soup, the US food company best known for its condensed soups, is to add some spice to its product line-up with the acquisition of Pace Foods, the world's biggest maker of Mexican-style hot sauces, for $1.1bn in cash.

Mr David Johnson, Campbell's chairman and chief executive, described Pace Foods as a "brand jewel" and said the acquisition would provide Campbell with a "turbo-charged" new business category.

The privately owned Pace Foods is based in San Antonio, Texas, near the Mexican border. Its main product is salsa, a hot sauce accompanying Mexican food and increasingly used in the US as a dip or condiment with other dishes.

Salsa, consisting mainly of crushed tomatoes and chilli, has become popular with an increasingly health-conscious US public because it is low in fat and perceived as a healthy food.

According to Campbell, US supermarket sales of salsa and other Mexican-style sauces have grown at an annual rate of 13 per cent since 1988 and have now overtaken sales of ketchup in the US.

Campbell is expecting further rapid growth in the category in the US and overseas.

Pace Foods has 471 full-time employees, most of them working in two factories near its headquarters. It is expected to end the current year with sales of $220m and operating profits of $54m.

More than $1bn of the purchase price consists of goodwill, reflecting the fact that Pace has the strongest brand name recognition among consumers of Mexican food products in the US.

Campbell said the acquisition, expected to be completed in January, would dilute earnings per share by 7 cents in 1995 and the same again in 1996, but would start adding to earnings in 1997. Its shares were up $1/8 at $43 7/8 in early trading.

Campbell's existing range of products includes soups, spaghetti, fruit and vegetable juices, frozen foods, salad dressings, bakery products, pickles, olives and chocolates. Apart from Campbell's, its brand names include Pepperidge Farm, Vlasic, Mrs Paul's, Prego, Swanson and Godiva.

The company has been handicapped by the fact that its US market is largely mature, but like other US food companies, it has been looking for growth through a combination of acquisitions and expansion overseas.

It now gets about 30 per cent of its sales from businesses in Europe, Latin America and Asia, and the percentage is growing.

Since the arrival of Mr Johnson as chairman and chief executive in 1990, the company has shown strong profits growth. In its financial year to July 1994, net earnings rose by 16 per cent to $630m, or $2.51 a share, on sales of $6.7bn.

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© THE FINANCIAL TIMES LIMITED 1994 No 32,536 Week No 48 † LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

EU priority transport projects lack cash

By Emma Tucker in Brussels

Only five of the European Union's priority transport public works have the necessary financing in place, and budgets for the other nine far are from complete, Mr Henning Christophersen, the commissioner responsible for economic affairs, revealed yesterday.

Presenting a report on the EU's cross-border road and rail projects – part of the trans-European networks project – Mr Christophersen said only three transport schemes out of a list of 14 were completely ready, and a further two were almost there.

Mr Christophersen was urging foreign ministers meeting in Brussels yesterday to accept or reject plans for the 14 priority projects – valued at a total Ecu91bn (£71bn) – at the forthcoming summit for heads of state in Essen, Germany.

The report, drawn up by experts from across the Union, also proposed the adoption of 10 international energy network projects plus pan-European air traffic control measures. Its recommendations amount to an updating of last December's white paper on jobs, growth and competitiveness which is to be tackled by the heads of state at Essen.

The disarray in the finances of most of the transport projects represent a setback for the desire of Mr Jacques Delors, Commission president, to boost European competitiveness. He had urged the use of so-called "Euro-bonds" to fund gaps in financing, but this has been resisted by some member states, notably Britain. The UK argues that four key sources of finance – national exchequers, private finance, loans from the European Investment Bank and designated EU funds – should be sufficient to support the projects and that no additional funding instruments are necessary.

Yesterday, Mr Christophersen said no doors should be closed when it came to financing. The report included a recommendation that "measures will be taken, if proven necessary, in order that priority projects do not run into financial or other obstacles which would jeopardise their implementation".

However, the British contributor to the report distanced himself from suggestions that the Union could agree in the future to "new" forms of financial support.

The three projects for which financing is complete are: development of Malpensa airport at Milan; the Cork-Dublin-Belfast-Stranraer rail link; and a fixed road and rail link between Denmark and Sweden. Finance is almost in place for development of Greek motorways and a motorway between Lisbon, the Portuguese capital, and the Spanish city of Valladolid.

The report stressed that the biggest obstacles to trans-European networks were administrative. It said governments had to work to change regulations that differ from country to country and to ensure co-ordination to avoid basic problems like different electrical systems.

Union tries to agree line on enlargement

By David Gardner in Brussels

The European Union was struggling yesterday to paper over its differences regarding enlargement to embrace eastern Europe, and to assemble a package which EU leaders can endorse at their Essen summit on December 9-10.

Still to be agreed are the amount of EU funding needed to assist integration of the former communist states, the extent of EU reform in areas like agriculture before they join around the turn of the century, and the degree of trade access to the Union's single market they will be given in the interim.

The hub of the strategy, designed for Hungary, Poland, the Czech Republic, Slovakia, Bulgaria and Romania, remains intact, however. This is to draw up a white paper detailing the changes the newcomers need to make to their legislative, regulatory and standards regimes to bring them into line with the EU.

"If this is not the actual Rubicon, then it's very close to it," one senior European Commission official said. "If the east Europeans sign up to the single market, then the only arguments you've got against integrating them are essentially internal, not very respectable ones."

But such arguments, over money, agriculture, and trade access, were on display yesterday when EU foreign ministers met to prepare the summit.

Brussels wants to commit Ecu7bn (£5.5bn) in aid under its Phare programme for eastern Europe in 1995-99. Southern and Mediterranean member states, however, want parallel commitments on the Commission's recently unveiled Ecu5.5bn aid plan for the Middle East and North Africa, before they sign up to the eastern strategy.

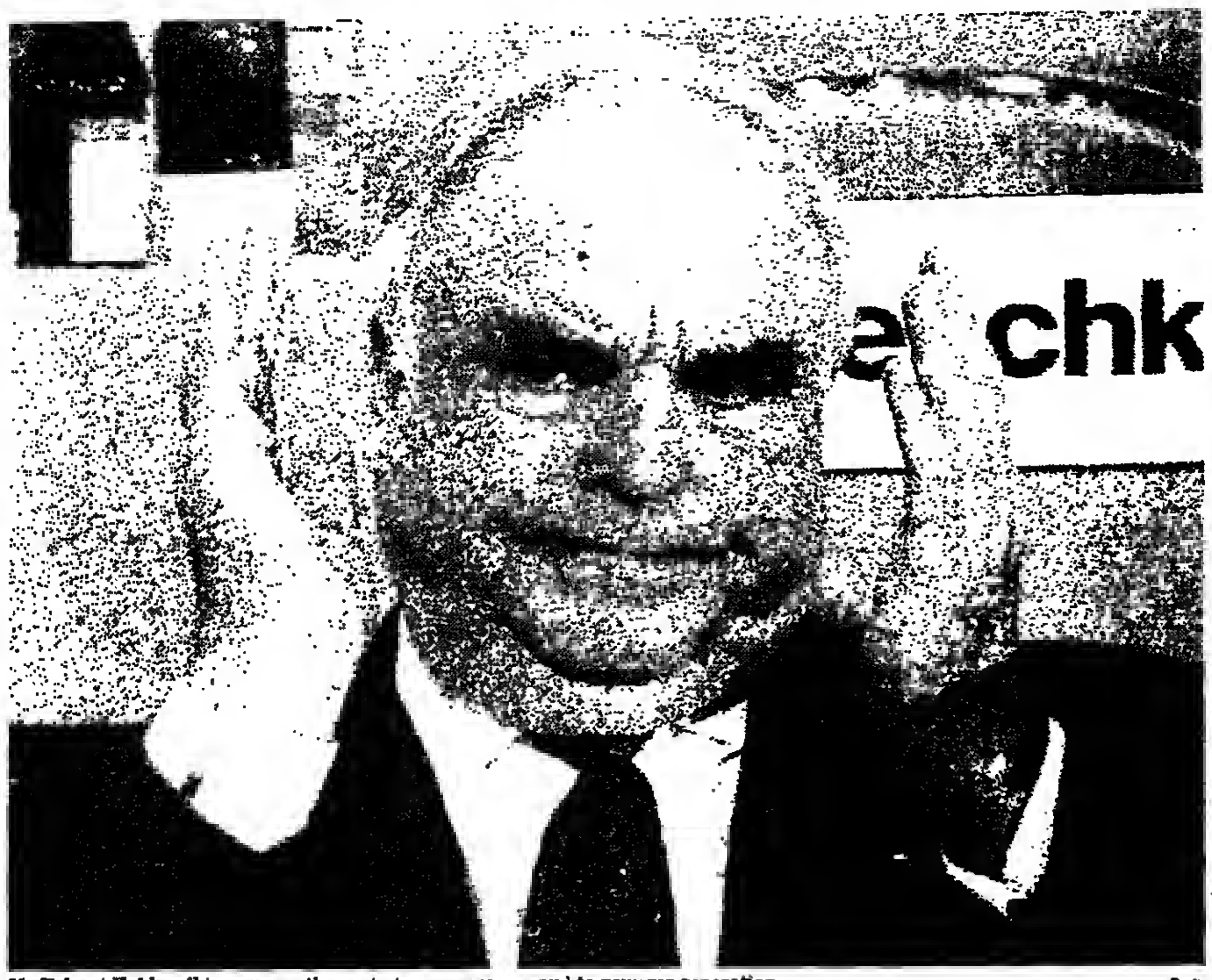
Work is far less advanced on the Mediterranean strategy, however, and the German presidency of the EU yesterday secured a compromise which will get it past the summit.

Aid already pledged aid for next year (Ecu1.16bn for east and central Europe and Ecu492m for the Mediterranean) will be minimum benchmarks for succeeding years, with the amounts by which they are to increase to be decided later.

Under the Commission plan, the 1996 figures, for example, would be Ecu1.23bn for the east, and a sharper increase to Ecu710m for the Mediterranean. However, up to a quarter of this will be available for big infrastructure schemes in the east, including up to eight road, rail and gas pipeline projects to be examined at Essen.

On agriculture, the UK – strongly opposed by France – demanded a full debate on reform of the common agricultural policy, the cost of which would rocket if it were extended without changes to the east. "That is a discussion we cannot avoid," said Mr Douglas Hurd, UK foreign secretary. But Essen now looks certain merely to call for a Commission study on the impact of eastern enlargement on the CAP and other expensive EU policies such as aid to backward regions.

Tomorrow, Brussels will try to resolve the trade access question, but only through what one official called "fairly modest" improvements in rules of origin for incoming eastern goods. These would probably allow an "accumulation" of rules of origin, with a product containing added value of at least 40 per cent from any three of the six states counting as an EU good and entering tariff-free.



Mr Helmut Kohl: call to open up the party to more women and to younger generation Reuter

Kohl cracks whip over CDU

Judy Dempsey reports on Chancellor's warning to his party congress

Chancellor Helmut Kohl of Germany, who was easily re-elected as party leader yesterday, threw down the gauntlet to his governing Christian Democrats by warning them to liberalise the economy and open up the party to the younger (and female) generation.

If not, Mr Kohl warned, the coalition government, fresh from winning a fourth term in office but with a majority of just 10 seats in the lower house, would not be ready to face the electorate in four years' time.

In a speech to the CDU's first party congress since it narrowly won last month's federal election, Mr Kohl highlighted the splits within the party, particularly on how far it should go in co-operating with the opposition, as well as modernising its recruitment and promotion structures.

CDU officials yesterday openly admitted that the combined opposition of Social Democrats, Greens/Bündnis 90 and the reformed east German communist Party of Democratic Socialism could no longer be ignored by the government.

The opposition holds 331 seats in the Bundestag, ten less than the governing coalition of the CDU, the Bavarian-based Christian Social Union, and the Free Democrats. The FDP's seat tally was reduced by 32 to 47.

As a measure of the potential threat posed by the opposition, both Mr Kohl and Mr Wolfgang Schäuble, parliamentary leader of the CDU/CSU, yesterday refrained from criticising it, thus endorsing a strategy the latter hopes will keep the opposition divided.

Last week, Mr Schäuble said the Greens/Bündnis 90 could join the parliamentary committees which sit in secret on security issues from which they have traditionally been excluded. Earlier, the CDU voted for Mr Antje Vollmer, a Green deputy, as one of the four deputy speakers of parliament.

The need to prevent any opposition alliance from emerging, and to break the growing influence of the PDS in east Germany is now seen as one of the main strategies of the CDU, senior officials said yesterday.

On Sunday, the CDU party in the eastern state of Thuringia, which set up a grand coalition with the SPD at the weekend, said the Christian Democrats should open the party up to former east German communist party members.

But there is no stomach in the party to endorse this call officially. Mr Peter Hintze, general secretary and a staunch critic of the PDS, yesterday said he opposed was completely any co-operation with "the radicals", signalling dissent about how the CDU can increase support in the eastern states without compromising its pre-election rhetoric which labelled the PDS as a black party painted red.

The CDU is even divided over how it should be modernised. The more conservative rank-and-file would prefer, for example, no special quota for women, a system introduced by the Social Democrats and the Greens more than a decade ago.

However, as more younger women in their twenties drift to the Greens, Mr Kohl said it was time to open the doors. The CDU parliamentary group has only 13.9 per cent women, the lowest percentage of any party. The overall average of the new Bundestag is 26.3 per cent.

Aid plan to back Irish peace

By David Gardner

European Union leaders are expected to agree substantial new aid to bolster the Northern Irish peace plan at their summit in Essen on December 9-10, senior EU officials said yesterday.

The "peace grants", targeted mainly on creating jobs and improving infrastructure, could total Ecu625m (£490m) in new money between 1995 and 1999.

Mr Jacques Delors, European Commission president, briefed foreign ministers meeting in Brussels on the shape of the peace package, put together for the whole of Northern Ireland and the six bordering counties of the Irish Republic.

The Commission is expected to agree a final proposal for Essen on December 7, and has been consulting widely at grassroots level in the pro-British Unionist and Irish nationalist communities in the province. Senior officials in London and Dublin say both governments endorse the initiative. "It's virtually gift-wrapped for Essen," one Irish official said.

Brussels is suggesting an initial commitment of Ecu300m from the EU budget for 1995-97, with an extension of the same rate of new funding – Ecu100m a year – for a further two years if the scheme is working. About 80 per cent of this would go to Northern Ireland and the rest to the bordering counties.

The UK and Ireland would contribute additional new money, worth 25 per cent of the new EU funds spent within their territory, for a total potential package of Ecu625m.

Britain, which has clashed with the Commission in the past about the normal legal requirement to "match" EU aid with "additional", or genuinely new money, says there will be no repackaging of already committed funding for the province.

Mr John Major, British prime minister, gave a public commitment in Belfast late last month that the UK would put in new funding to match extra EU grants.

The EU has already committed Ecu1.23bn to Northern Ireland in 1994-99, under the structural funds aid programme, as well as Ecu20m a year to the multinational International Fund for Ireland.

Van Miert rejects French EU power plan

By Michael Smith

French proposals to alter significantly the European Commission's proposed directive on liberalising the electricity market in the European Union were yesterday described as unacceptable by Mr Karel Van Miert, competition commissioner.

Mr Van Miert said the French proposals would be contrary to existing community rules, partly because they would allow power companies in some countries to preserve a monopoly on imports and exports.

He was speaking ahead of a meeting in Brussels today of the council of EU energy ministers which will consider the French "single buyer" proposals along with the Commission's plan to promote so-called third party access.

Third party access would make it possible for power companies to sell electricity directly to industrial power users in another country by giving them access to that country's transmission system.

Under the single buyer proposals such deals would have to be conducted through a transmission system operator in the buyer's country. The operator would be responsible for running the system and meeting new demand for electricity.

Critics of the single buyer system, including the UK, say the single buyer concept would have little practical impact on increasing competition.

Energy ministers will today consider several options, the most likely of which is an inconclusive outcome in which they will order an investigation into whether the single buyer and third party access proposals are compatible.

Ministers will focus on proposals for the electricity market. Gas is being given less priority.

Mr Van Miert, speaking at a Royal Institute of International Affairs conference in London, said the Commission had a solid commitment to create international energy markets.

He said the third party access and other proposals in the directive, first drafted two years ago, went no further than expressing existing rights in Union treaties.

He indicated that the Commission would press harder for the liberalisation of the markets through the courts if no progress was made politically.

Since the Commission launched its drive to liberalise the energy markets five years ago, it has made only limited progress, with two previous directives having a relatively peripheral effect.

In discussions over the current directive, most member states have agreed on introducing competition in generation and on the need to "unbundle" the accounts of integrated power companies by separating out production, transmission and distribution costs.

However, free market countries argue that the electricity market will only begin to become competitive if third party access is agreed.

Breakaway republic warns that captured fighters face execution

Chechnya threat to Russian lives

By John Thornhill in Moscow

The breakaway Russian republic of Chechnya has threatened to execute the 70 Russian fighters it claimed to have captured in recent skirmishes unless Moscow admits it is directly involved in trying to destabilise President Dzhokhar Dudayev's regime.

The threat will further inflame tensions with Moscow; some western diplomats suggest it could provoke the open hostilities with Russia about which the Chechen authorities have been complaining. President Boris Yeltsin yesterday held an extraordinary meeting of his security council to discuss Chechnya, which declared its independence from Moscow three years ago.

Mr Pavel Grachev, defence minister, denied the Russian army had directly supported the Chechen opposition forces, which launched an assault against Grozny, the republic's capital, on Friday. However, he added that if Russia did intervene "one airborne regiment would be enough to resolve all questions in two hours".

So far, Russia has refrained from direct intervention fearing such a move would tarnish its image abroad and threaten to unleash a Chechen terrorist campaign within Russia. But the government has repeatedly urged Chechnya to come back into the fold, and has recognised the provisional council of opposition forces as the republic's rightful government, providing it with moral and financial support.

Chechen officials said 300 opposition troops had been killed and 200 taken prisoner in the latest fighting in Grozny. They said 70 prisoners were serving Russian servicemen. "If Russia does not recognise these soldiers as prisoners of war they will be tried by the laws of the shariat [Islamic rule]. I will not lift a finger to stop this process," Mr Dudayev said, indicating they could then be executed.

Russian officials have denied serving soldiers were involved although they have conceded it was possible that former servicemen had been hired as mercenaries by the opposition forces. Mr Grachev said that, according to his information, mercenaries from the Baltic states, Afghanistan and Russia had been hired by Mr Dudayev.

Mr Ruslan Khasbulatov, the Chechen opposition leader, warned Grozny's population that they might soon be bombed and urged them to evacuate all children although the capital was reported to be quiet yesterday. Mr Khasbulatov, the former speaker of the Russian parliament and one of the leaders of the failed uprising against Mr Yeltsin in October 1993, is now being backed by Moscow.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE: Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK: Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

NEWS: EUROPE

EUROPEAN NEWS DIGEST

French talks on primary contest

A joint group from France's ruling Gaullist RPR and Union for French Democracy (UDF) coalition parties is due later today to report on the feasibility of holding primary elections to select a single conservative candidate to contest next year's presidential elections, amid signs of falling public support for such a US-style innovation.

According to a Sofres opinion poll, 65 per cent of French believe that the traditional first round vote, to be held next year on April 23, is sufficient to select the final two contestants – usually one from the right and one from the left – for the second-round vote on May 7. Proponents of primaries, notably Mr Charles Pasqua, the interior minister, have argued that the fortnight between the two rounds is not long enough to heal the deep divisions within the right. Bnt, seeing primaries mainly as a device to corral conservatives into backing prime minister Edouard Balladur from the outset, two of the prime minister's opponents, ex-president Valéry Giscard d'Estaing, who leads the UDF, and Mr Philippe Séguin, the National Assembly president who is backing Mr Jacques Chirac as the RPR candidate, have come out strongly against special early primaries. *David Buchan, Paris*

Turkish foreign minister quits

The Turkisb foreign minister, Mr Mumtaz Soysal, resigned yesterday over a dispute with prime minister Tansu Çiller on the appointment of his assistant. The Anatolian news agency said Mrs Çiller had accepted the resignation, hut the foreign ministry made no announcement. Mr Soysal, a member of the junior coalition partner, the Social Democrat People's party, had resisted appointing Mrs Çiller's hand-picked candidate as his deputy since he was named foreign minister during a cabinet reshuffle in July. Mr Soysal has also clashed with Mrs Çiller on the issue of privatisation and had pushed for an amendment in the anti-terrorism law, which gives officials wide latitude to declare writings and speeches terrorist propaganda. He had expressed his uneasiness over the increasing pressure from the west about Turkey's poor human rights record. "I have been relying on my own reputation, which is not going to last long, to face the charges," Mr Soysal said recently. Mr Soysal, 65, spent more than 14 months in jail in the early 1970s under the military regime on charges of making Communist propaganda, and has been a university lecturer on constitutional law and a deputy president of Amnesty International. His strong nationalist stance won him few friends in foreign capitals. Mr Soysal's resignation came two days before the national security council, a supreme advisory body, was scheduled to discuss the use of Turkish hases by US aircraft enforcing the Iraqi Kurd's "safe haven" in northern Iraq. Mr Soysal has said that the force should leave. He has also been particularly vocal in the row with Greece over territorial waters in the Aegean Sea. *AP, Reuter, Ankara*

Irish continue coalition search

Ireland's political parties were still in deliberations on the formation of a new government last night, raising fresh doubts on whether tomorrow's meeting of the Irish parliament will be able to resolve the uncertainty and vote in a new administration. The Labour party leader, Mr Dick Spring, the kingmaker in any future coalition, held separate talks with both Fianna Fail, Labour's partners in the outgoing government, and with the main opposition Fine Gael party in an attempt to break the deadlock, following the collapse of the 22-month coalition between Fianna Fail and Labour and the resignation of Mr Albert Reynolds as prime minister. A poll published yesterday suggested 63 per cent of people wanted a new Fianna Fail-Labour coalition. Moreover 49 per cent of those polled wanted Fianna Fail's leader, Mr Bertie Ahern, as prime minister and only 23 per cent supported Mr Spring. The result gives Mr Ahern a strengthened hand in negotiations with Labour. "I don't think we're a hundred miles away from reaching agreement," said Mr Ahern before going into yesterday's talks. Fianna Fail officials said Mr Ahern and Mr Spring had agreed to meet again. *John Murray Brown, Dublin*

Italian terror suspects arrested

Italian police claim to have made a breakthrough in unmasking Falange Armata, a right-wing group that has claimed responsibility for numerous acts of terrorism over the past five years. This follows the arrest over the past week of three policeman, two of them brothers, stationed in Bologna and the Emilia Romagna region. All three are believed to be linked to some 15 unexplained killings and a series of violent robberies dating back to 1988. A pistol found in the possession of one of the arrested policeman has been matched by firearms experts to the killing of a carahiniere and the murder of a prison educationalist. Police are now checking whether the group was protected within the service and allowed to carry out activities to destabilise Emilia Romagna, the region controlled by the former Communist party. The inquiry could also clarify still unexplained aspects of terrorist attacks in Bologna, including the bombing of Bologna station in 1980 that killed 80 people and left 200 injured. *Robert Graham, Rome*

Craxi's gold hoard confirmed

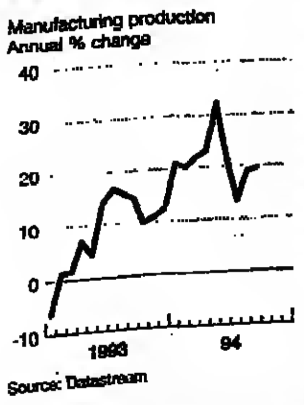
The Swiss government confirmed yesterday that 15kg of gold it confiscated from a Geneva safe after an Italian request belonged to former Italian prime minister Bettino Craxi, who was sentenced in absentia earlier this year in Italy to 8½ years in prison for corruption. Mr Craxi, who has refused to return from his villa in Tunisia citing health problems, has consistently denied any links with the gold and said it was part of a politically-motivated vendetta. In a written statement issued through his lawyer in Italy, he reiterated those denials. He is the highest-ranked official charged so far in connection with the corruption scandals. A former friend of Craxi's, Mr Giorgio Tradati, a businessman, said last month that he transferred about SFr20m (£9m) into banks in Switzerland. Mr Tradati claimed that once the corruption inquiry started, Craxi used some of the money to buy the gold upon the advice of an American Express Bank official, to try to cover the trail. *AP, Berne*

ECONOMIC WATCH

East German output increases

Eastern Germany

Manufacturing production
Annual % change



Source: Datastream

East German industrial output rose sharply by 10.7 per cent in September from August and increased by 14.2 per cent compared with a year ago, the German economics ministry reported yesterday. The ministry said the end of the summer holidays was a contributing factor, but several recent studies from leading economists have said the recovery in eastern Germany was "widening". Manufacturing, which bore the brunt of the restructuring over the past five years, rose 16.3 per cent in September from August and 19.6 per cent year-on-year. Construction output rose by 5.1 per cent in September from August and was up 11.4 per cent from a year earlier. Mining output rose by 15.1 over the same period, although it had declined by 10 per cent on a year-on-year comparison. *Judy Dempsey, Bonn*

■ Belgian year-on-year inflation dipped from 2.12 per cent to 1.99 per cent in November, the first time it has been below 2 per cent since December 1988.

■ The annual growth of Greece's M3 money supply aggregate decelerated to 9.7 per cent in September from 10.6 per cent in August, and M4 slightly accelerated to 10.7 per cent from 10 per cent.

Tapie tries to avoid riches to rags ending

The French courts will soon decide the fate of the populist tycoon-politician, writes **John Ridding**

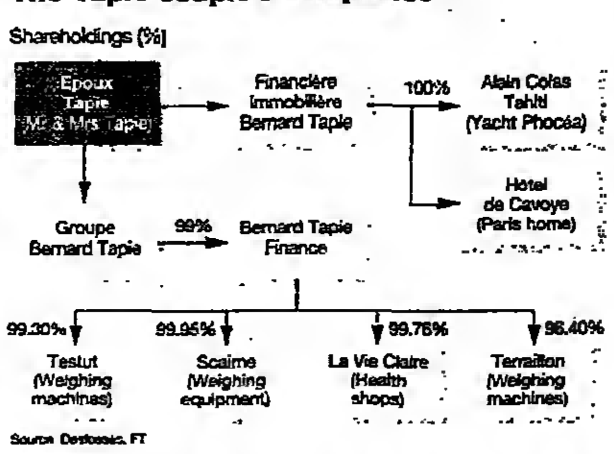
For Mr Bernard Tapie, France's populist politician, tycoon and one-time pop star hopeful, it is time to face the music. A spate of legal and financial wrangles accumulated over the past few years are now before the courts. They threaten his political aspirations and could lead to a decline from riches to rags for the French deputy and Euro MP.

The most important ruling is due within the next few days. A Paris commercial court is set to decide whether the remaining indebted companies in Mr Tapie's business empire should be wound up. The case focuses on the financial health of FIBT, the holding company which owns Mr Tapie's home in Paris, on ACT, the management company for his luxury yacht, and on Groupe Bernard Tapie, which controls his commercial interests, principally his weighing machine businesses and health shop chain.

Despite the complexities of the case, Mr Tapie's ordeals have captured public interest. For some, his image as an anti-establishment champion has been fuelled by his clashes with the law courts and Crédit Lyonnais, the state-owned bank which is his principal creditor. As one Paris politics professor puts it: "There is a disillusionment with the political class, and a sense that it cannot respond to the big problems of the day such as unemployment. So mavericks like Mr Tapie can play an important political role."

The Tapie couple's companies

Shareholdings (%)



Source: Desfossés, FT

His ability to do so is now in the balance. FIBT and GBT are unlimited liability companies, owned by himself and his wife. Should they be wound up, it could spell bankruptcy for the Tapie couple. And, under French law, bankruptcy would mean that Mr Tapie would be ineligible for elections to public office.

This would present a serious reverse for Mr Tapie. He has made no secret of his intention to run for mayor of Marseilles in elections next year and has also indicated that he might take a tilt at presidential polls due next spring. "If there is no one to represent the interests of my supporters then I will do so," be says, referring to the 2.5m who voted for his Radical Energy list in June's European elections, supporting his pro-European, anti-racist and full employment ticket.

The ineligibility of Mr Tapie could also hold implications for France's other presidential hopefuls. The 12 per cent of the vote garnered by his list in the European polls presents Mr Tapie as a significant power broker. By running in June, he drew support from the Socialist party, prompting a disastrous result and the ejection of Mr Michel Rocard as its leader. Mr Tapie argues that he should not be blamed for this. Rather, he claims: "They should congratulate me. I rid them of a candidate who was a sure loser."

As for Mr Jacques Delors, the head of the European Commission and widely touted as the Socialist standard-bearer in the presidential elections, the considerations are more complex. According to Ifop, the polling institute, Mr Tapie and Mr Delors could complement each other because they draw support from different age and social groups.

In the absence of a Tapie candidacy, Ifop estimates that only one-third of his supporters would vote for Mr Delors in the first round of the two-round poll. At the same time, the populist businessman could garner support for the left from his electoral strongholds. "The danger of splitting the vote of the left may not be a problem, particularly if Tapie was to support Delors in the second round," says one political analyst. To Mr Tapie, however, such calculations, are premature. For amid his complex legal tangles one thing is clear; he is not going to relent without a fight. "The match is not over until the whistle goes, and we are not even at half-time," he says, using one of his frequent football metaphors.

> Mr Tapie, fond of football metaphors, is already two goals down, but he insists: 'The match is not over until the whistle goes, and we are not even at half-time'

Mr Tapie, however, has just conceded two goals. Last week, a Paris court ordered him and his wife to pay FFr339m (£40.3m) to Crédit Lyonnais, which funded Mr Tapie's business expansion in the 1980s. In a separate case, the Paris police tribunal ruled that Mr Tapie must repay FFr66.7m to the French customs office because he illegally registered his luxury yacht, the Phocéa, as a commercial vessel.

Mr Tapie's rearguard action is based on a host of appeals against his adversaries. "There is no sanction which is not susceptible to appeal," he told L'Express magazine. He is already contesting last week's rulings and is suing Crédit Lyonnais on the grounds that it is partly responsible for the management of the companies he controlled.

Mr Tapie's prospects may also be helped by the reluctance of the commercial court to move rapidly to wind up his businesses, partly because of the implications for the hundreds of employees involved and the political sensitivity of unemployment in France.

As a result, a possible outcome is the opening of a process of judicial redressment for Mr Tapie's companies. This involves an exhaustive study of the possibilities for the rescue or sale of the businesses – both of which are described as feasible solutions by Mr Tapie's lawyers. The process can last up to six months, buying time for the embattled businessman. A more aggressive stance by the court, however, would mean that Mr Tapie's time is running out.

Sanguinetti wins close Uruguay election

Ex-president's opposition Colorado party edges ahead in country's tightest poll, writes **David Pilling**

Mr Julio Maria Sanguinetti was yasterday declared president-elect of Uruguay, as his Colorado party edged ahead of the governing Blanco party and the left-wing Encuentro Progresista coalition in the country's closest ever election.

President Luis Alberto Lacalle called Mr Sanguinetti yesterday to congratulate him and invited him to meet to discuss the March 1 transition, the government said.

With more than half of the nearly 2m votes counted, Mr Sanguinetti's Colorado party was only 19,000 votes ahead of the Blancos and 30,000 ahead of Encuentro. The Colorados had 32.5 per cent of the vote, against 31.5 per cent for the Blancos and 30.3 per cent for Encuentro.

Mr Sanguinetti himself – one of four Colorado presidential hopefuls in a system that combines primaries with national elections – was on 24.4 per cent, 9 points ahead of his nearest rival from the governing Blanco party.

Mr Taboré Vázquez, on about 30 per cent, was likely to end up with the most individual votes but will not become president because his Encuentro coalition failed to win at party level.

The virtual three-way tie, mirrored in parallel congressional elections, will force Mr Sanguinetti to forge a coalition. The need for cross-party accords is likely to slow Uruguay's cautious reform process still further.

Mr Sanguinetti, president from 1984 to 1989, said yesterday he recognised that the narrowness of his victory would complicate his ability to govern.

"This has been the most hotly disputed election in our history... our political system obliges us to make great efforts to achieve governability and to enable our democracy – as well as guaranteeing freedom – to be effective and functional," Mr Sanguinetti said.

The election, in which Blanco candidates mustered less than a third of the votes, is likely to be seen as a rejection of the current Blanco administration's curtailed reform attempts.

President Lacalle tried to change the country from an inward-looking welfare state to a more liberal economy competing in the international arena. But his attempts to privatise state corporations, to pull down tariff barriers and to cut social security costs have aroused public suspicion, notwithstanding partial success in bringing down inflation and producing healthy economic growth.

The very strong showing for Encuentro Progresista, a coalition ranging from social democrats to former Tupamaro guerrillas, is evidence that many Uruguayans place defence of generous social welfare provisions ahead of any desire to adopt the neo-liberal policies sweeping across much of Latin America.

Encuentro, which in the early stages of vote-counting seemed close to victory, won easily in Montevideo, the capital, but could not reproduce that result in the more conservative interior.

Mr Sanguinetti, who campaigned on a social-democratic platform, will take the reins of a very different Uruguay from the one he led in 1984. Uruguay was then emerging from 11 years of military dictatorship and Mr Sanguinetti, now at 58 already considered a grand old man of Uruguayan politics, saw his main task as re-establishing the country's deep democratic roots.

One of Mr Sanguinetti's principal challenges this time will be to forge a new role for the country within the context of Mercosur, the emerging customs union that will from next January integrate the Uruguayan market with its enormous counterparts in Argentina and Brazil.

During the campaign, Mr Sanguinetti expressed concern at some aspects of regional integration, particularly its potential to expose fragile Uruguayan industry – and jobs – to fierce competition. He has spoken of the need for properly conceived export policies.

Mr Sanguinetti has also criticised the Blancos for allowing the peso to appreciate as part of its inflation-beating strategy. This has led to speculation – denied by Mr Sanguinetti – that he is contemplating a devaluation.

The president-elect has said that a too-strong currency has been prejudicial to exports and has helped to fuel a trade deficit, expected to be $900m this year. Mr Sanguinetti may well try to slow the peso's appreciation, though he will have to balance this against efforts to bring inflation down from its current 40 per cent a year.

When Mr Sanguinetti left office in 1989, inflation was more than 80 per cent a year and the government was running large budget deficits, leading opposition critics to question his commitment to fiscal rectitude.

Poll position: Sanguinetti and his wife as the results began to come in AP

Senate Republicans start to jockey for position

By Jurek Martin in Washington

The nascent rivalry between two potential Republican presidential candidates – Senators Robert Dole and Phil Gramm – could get an early airing this week as the party begins to choose senior congressional leadership positions.

Mr Dole is certain to be elected majority leader by his peers on Friday but it is far from clear who will be his number two - Senator Alan Simpson of Wyoming or Senator Trent Lott of Mississippi.

While both are conservative, Mr Lott has made no secret of his support for Mr Gramm's candidacy for the Republican nomination and the Senator from Texas has returned the compliment by openly preferring his Mississippi colleague to be Mr Dole's deputy.

Mr Gramm's argument, which he is not shy in expressing, is that if Mr Dole is frequently going to be absent in pursuit of his national ambitions, Mr Lott would be a more effective deputy.

Some political observers translate this into the belief that Mr Gramm would urge Mr Lott to undercut the majority leader on key policy issues relevant to the 1996 campaign.

The Dole-Simpson connection is based more on a record of pragmatism, plus a shared reputation for being ascerbic.

Both support abortion rights, unlike many party dogmatists, while the Senator from Wyoming, probably the leading congressional authority on immigration, is less inclined to take the hard line against all immigration currently popular among right-wing Republicans.

Mr Lott also has some history of accommodating party moderates, both in the Senate and as a House whip in the 1980s.

In a recent interview Mr Lott urged the conservative forces lined up behind Congressman Newt Gingrich, who is due to be elected next Speaker of the House on January 4, "to cool their jets a bit."

But he is also contrasting his "more extensive and personal" relationships with the new House leadership to those of Mr Dole and Mr Simpson.

Mr Simpson told the New York Times in typically blunt language that he was the best candidate to combat what he described as the Republicans' "atavistic desire to clobber themselves when they begin to give each other the saliva test of purity."

The new Republican committee chairmanships in both houses will not be settled until early January. But, over the weekend, Mr Dole pretty much laid to rest flickering speculation that Senator Jesse Helms of North Carolina would not take over the foreign relations committee following his extraordinary attacks on President Bill Clinton.

"If you're going to start knocking down seniority," Mr Dole said, "there's going to be an avalanche." This was taken as a clear warning that any challenge to Mr Helms could lead to conservative attempts to oust party moderates in line for committee chairmanships, such as Senator John Chafee of Rhode Island who is due to take over the environment and public works panel.

Democrats also have some close leadership contests to decide. The party's Honse members must decide tomorrow whether to remove two of the old hierarchy, Congressmen Richard Gephardt and David Bonior.

They are the outgoing majority leader and chief whip and are under challenge for both positions in the new minority from a pair of southern conservatives, Congressmen Charlie Rose of North Carolina and Charles Stenholm from Texas respectively.

A third contest – for chairmanship of the party caucus, pits Congressman Vic Fazio against Kweisi Mfume, now head of the black caucus.

On Friday, Senate Democrats will choose a new minority leader from between senators Tom Daschle of South Dakota and Christopher Dodd of Connecticut.

Mr Daschle is the protege of Sen George Mitchell, the outgoing majority leader.

AMERICAN NEWS DIGEST

US home sales up in October

Sales of existing US homes rose by 0.5 per cent in October, but downward revisions to statistics for earlier months meant that the announcement offered more evidence of a slowdown in the housing market. The National Association of Realtors said sales of existing single family homes rose to a seasonally adjusted annual rate of 3.91m in October from a revised level of 3.89m in September. The figure is, however, a drop from the 3.97m annual rate the association had originally reported for September. The association is predicting sales of existing homes will reach a total of 3.97m in 1994.

Home sales have shown increasing signs of weakness in recent months in response to the Federal Reserve's successive increases in short-term interest rates, which had already pushed average 30-year fixed-interest mortgage rates up by 2 percentage points before the three quarters of a percentage point increase the Fed decided on two weeks ago. *George Graham, Washington.*

Low-smoke smokescreen?

US cigarette manufacturer R.J. Reynolds Tobacco yesterday appeared to be playing down prospects for the launch of a new type of low-smoke cigarette called Eclipse, saying it did not know if or when the cigarette would be introduced because it was still being developed.

Reynolds, part of RJR Nabisco, the US food and cigarette group, has been testing the cigarette which works by igniting a charcoal element at the end and passing the hot air over tobacco without burning it. A similar non-burning cigarette called Premier, launched by the company in 1988, flopped.

Yesterday Reynolds said testing indicated that Eclipse had less tar and nicotine than 95 per cent of cigarettes currently on the market and eliminated 90 per cent of second-hand smoke. *Richard Tomkins, New York*

Camel court case to go ahead

The US Supreme Court yesterday refused to block a lawsuit accusing R.J. Reynolds Tobacco and two advertising agencies of improperly targeting minors with a Camel cigarette advertising campaign.

The lawsuit, filed in California state court in 1992, charged that the promotion featuring a cartoon character called Old Joe Camel seeks to unlawfully make smokers of teenagers. The suit named Reynolds and a unit of the Interpublic Group of Companies and Young & Rubicam, the advertising agencies which helped develop the campaign. *Reuter, Washington*

Argentina challenger picked

Argentina's opposition Radical party has picked Mr Horacio Massaccesi, governor of Rio Negro province, as its challenger to President Carlos Menem in next May's presidential elections. The Frente Amplio, an opposition coalition, has postponed nominating its presidential candidate for next year's elections, expected to be won convincingly by Mr Menem.

Mr Massaccesi defeated rival Mr Federico Storani by a wide margin, partly as a result of backing from former Radical president Mr Raûl Alfonsín, and from powerful Córdoba governor Mr Ednardo Angeloz.

Mr Massaccesi now faces the task of fortifying a Radical party plagued by poor results in recent elections and riven by internal conflict. "The next step is to create party unity" so that we "can offer Argentinians alternative proposals to official policies of backwardness and social injustice," Mr Massaccesi said in his victory speech. *David Pilling, Montevideo*

Refugee zones scheme urged for Rwanda

The presidents of Rwanda and neighbouring Zaire and Burundi called for internationally supervised security zones to be set up in Rwanda to encourage the return of hundreds of thousands of Hutu refugees, Reuter reports from Kinshasa.

Zairean President Mobutu Sese Seko, Rwanda's Pasteur Bizimungu and Burundi's Sylvestre Ntibantuganya added that refugees remaining in Zaire would be relocated further from the border with Rwanda, according to a statement read on state television yesterday. "Refugees refusing to return to their country of origin will be moved away from the frontier," it said.

The three men agreed on the need for the zones at a summit on Saturday at Mobutu's northern palace at Gbadolite. It was the latest of several meetings aimed at resolving the crisis caused by an exodus of more than 1m Rwandans who fled the advancing Rwanda Patriotic Front (RPF) in July.

The new Tutsi-dominated Rwandan government sees the presence in eastern Zaire of the refugees, discouraged from returning by the former Hutu militia leaders, ex-ministers and army chiefs in their midst, as a serious security threat.

Burundi, where there are escalating clashes between local Hutus and Tutsis, believes that an influx of 200,000 Rwandans into its territory is fuelling ethnic hatred.

Mobutu: a great step forward

Zaire, a close ally of the ousted Hutu leaders, is deeply concerned about deteriorating security in the squalid camps along its border with Rwanda. Zairean troops shot dead at least 18 people and wounded 70 in the Katale camp on Thursday and Friday after a soldier was killed in a quarrel over a refugee's car registration.

Zaire on Sunday expelled 37 Hutus from the teeming Goma refugee camp, handing them over to RPF troops at the border in what an official said was a crackdown on crime.

Mr Mobutu, hosting the Gbadolite summit, was quoted as calling the security zone idea a great step forward and saying he hoped it would win international backing.

Thai police bend rule of law

A catalogue of crime has stirred uneasy feelings, writes **Victor Mallet**

Nobody paid much attention when they saw a 20-year-old policeman damanding cash from passing motorists in central Bangkok the other day; Thai policemen, unmistakable in their too-tight brown uniforms, routinely engage in roadside extortion.

What gave Mr Thammarong Sricharoen away as an impostor and led to his arrest was not his blatant money-grabbing but an incorrect salute to a passing police officer with his left hand instead of his right. He had stolen the uniform.

Incidents such as this (Mr Thammarong's mistake was explained at a news conference by a Thai police chief) have for years been cheerfully accepted by the majority of Thais. They take it for granted their 170,000-strong police force is corrupt. But a lengthening list of recent murders and other tragedies in which police were implicated has aroused uneasy feelings among even the most cynical Thais, fuelling a debate about the pernicious effects of corruption.

Earlier this year, seven Thai policemen were charged with involvement in the murder of at least nine visitors from Japan, Hong Kong, Taiwan and China; the victims were robbed and shot. In July, a 15-year-old prostitute committed suicide by drinking poison in a police station in the southern town of Hat Yai; she had escaped from a brothel and gone to the police station to seek help, but the police sent her away.

All prostitution is illegal in Thailand, and the government is waging a campaign against child prostitution. But underpaid policemen earn substantial sums in "protection money" from brothel-owners for turning a blind eye, and in some cases run brothels themselves. Even if the credibility of the Thai police had been able to survive such scandals, it would surely have been destroyed by recent developments in the case of the stolen Saudi gems.

> 'The law enforcement branch has broken its last bond with the people,' a Thai columnist says

In 1989 a Thai worker in Saudi Arabia stole \$20m (£12.5m) worth of jewellery from the palace of a Saudi prince. He was arrested after his return to Thailand and the recovered items were proudly displayed by the police.

Triumph quickly became farce when the haul was sent back to Saudi Arabia, because most of the returned jewels turned out to be fakes copied from the originals. A police general's wife was seen, and photographed, wearing what appeared to be one of the stolen necklaces, although she and her husband later insisted this too was a fake.

At first the saga was seen in Thailand as something of a joke, since the Saudis were not popular either as employers in their own country or as visitors to Thailand. But the mood has now changed. Saudi Arabia has stopped granting visas to Thai migrant workers and forbidden its own citizens to go to Thailand on holiday, depriving Thailand of millions of dollars a year in income.

Several people connected to the case have meanwhile been murdered in Thailand. The two most recent victims were the wife and child of a jeweller who was an important witness in the case. They were bludgeoned to death, but the police forensic department initially announced, to cries of derision, that they had died in a car accident.

"The law enforcement branch has broken its last bond with the people," wrote Mr Suthichai Yoon, columnist and editor-in-chief of The Nation newspaper.

The embarrassed Thai government finally acted: two police generals have been charged in connection with the killing of the jeweller's family, and dozens of other police officers are under investigation.

Mr Mohammed Said Khoja, the outspoken Saudi chargé d'affaires in Bangkok, remains understandably sceptical. He arrived in 1990 on what he thought would be a three-month mission to resolve the affair and is now in his fifth year in Thailand.

"I'm glad that the public in Thailand are starting to have some sympathy," he said in an interview, but added: "Anything can happen in Thailand. Today they arrest tha generals; tomorrow they will say there is no evidence. The big policemen here have a better life than the prime minister himself."

Many Thai policemen are so involved in crime, rather than crime prevention, and so dedicated to protecting the rich and powerful, rather than enforcing the law impartially, that it will be hard for any government to make them change their ways.

A recent study by Bangkok's Chulalongkorn University found that some officers pay bribes of up to Baht5m (£125,000) to their superiors to be promoted to lucrative posts enjoying a steady flow of extorted money – in areas with plenty of brothels, for example.

But the new wave of popular outrage at the latest police crimes may start to make life easier for the few senior police officers regarded as honest. Maj-Gen Seri Temiyavej, one such crusader, recently arrested one of Thailand's best-known "godfathers", in connection with an allegedly illegal land deal near the coastal resort of Pattaya.

Even if such prosecutions succeed, cleaning up the police force is likely to be a painfully slow process.

"What we've been trying to do is to establish the rule of law," says Mr Chuan Leekpai, the prime minister. "I think the situation will improve as a result of the government's determination, but in the short term it may not be so easy to perceive."

Aborigine land fund setback

By Nikki Tait in Sydney

The Australian Senate, the federal parliament's upper house, yesterday referred the government's contentious Aboriginal land fund legislation to a select committee for further examination.

The move came despite warnings from Senator Gareth Evans, the government's Senate leader, that this could trigger a "double dissolution", that is, a dissolution of both houses, necessitating fresh elections.

The legislation proposes to establish a A\$1.4bn (£680m) land fund by 2004, through a series of government payments over the next 10 years. By using the money to make land purchases, the fund would aim to help dispossessed Aborigines who are unlikely to benefit from last year's Native Title legislation.

The proposed structure of the land fund and the relatively low level of financing have been criticised by some Aboriginal groups. In recent weeks, the Senate, where the government does not have a majority, has made a large number of amendments to the bill. But the government refused to accept these and returned the legislation to the Senate.

Yesterday, Senator Evans, Australia's foreign minister, warned the government would treat a select committee reference "as a failure to pass this legislation within the meaning of the Constitution, Section 57". This states that if legislation passed by the House of Representatives is rejected or obstructed by the Senate twice within certain time limits, Australia's governor general may dissolve both houses simultaneously.

Evans: 'double dissolution'

The notion that the government will seek to call an early election, before the economic outlook clouds, has circulated for some months, and the land fund hiatus could provide an excuse. But, in issuing his warning, Senator Evans emphasised yesterday that the government was not looking for an "artificial trigger".

Meanwhile, Senator Brian Harradine, an independent whose vote was crucial to securing the committee referral, pointed out that a double dissolution trigger was already in place because of the Senate's decision to reject certain immigration-related legislation.

Saudi loses asylum bid

Mr Mohammed Masari, an opponent of the government in Saudi Arabia, is to appeal against a British decision not to grant him political asylum, he said yesterday, Our Foreign Staff reports.

Mr Masari, who arrived in Britain in April on a Yemeni passport, said he learned last week his application had been turned down.

The British government, which values its links with Saudi Arabia, has come under pressure from Riyadh not to allow Mr Masari to remain.

A founder-member of the Committee for the Defence of Legitimate Rights, Mr Masari was imprisoned for six months in Saudi Arabia last year.

On his release from prison, Mr Masari travelled to Yemen, then on to London, where he has made repeated accusations against Saudi Arabia's ruling family.

New Zealand Labour party moves up in polls

By Terry Hall in Wellington

Support for New Zealand's Labour party has improved with opinion polls timed to coincide with its annual conference at the weekend showing it with 25 points against the National government's 42.

The change in Labour's fortunes has been dramatic: less than three months ago it came in fifth place in a a by-election in the South Island Selwyn constituency, a seat it nearly won in last year's general elections.

The polls suggests that the New Zealand political scene is set to return to its traditional dominance by its two old established parties.

Labour's resurrection has been partly due to hard work by Ms Helen Clark, the party leader in distancing it from the right wing policies that it followed in government between 1984 and 1990 that caused its eventual landslide defeat. Labour's unity has been helped by the departure of both left and wing ring critics to join other parties.

It recently unveiled populist economic policy featuring higher taxes for the well off, bigger family support payments, industry planning and a venture capital fund.

However it has also benefited handsomely from the surprise decision of Jim Anderton to step down as leader of the Alliance party, an unusual grouping of left and centre parties.

A charismatic former president of the Labour party, Mr Anderton broke away to form his own left wing party in 1988. This was promptly joined by some minor political groups favouring such disparate policies as monetary reform and Maori rights and also the Green movement.

Mr Anderton's consistent rating as preferred prime minister helped the Alliance become the country's second top polling party. But his resignation saw the Alliance support drop by 20 per cent to 23 points, its lowest level this year.

The Alliance is now led by an Ms Sandra Lee, who is considered too inexperienced to be able to revive its fortunes.

The fourth political party now represented in parliament, New Zealand First, led by Maori MP Winston Peters, has slumped badly in public support following a public spat over its funding.

However, the advent of a new electoral system, which will reduce the number of electorate seats from 99 to 66, is causing concern among sitting MPs.

They believe the reduced number of seats means fewer of them can represent the existing main parties, and many are known to be considering joining or forming new parties, which they calculate will prosper under proportional representation.

KMT makes sure the party is not over

Taiwan's Nationalists seek to continue enjoying fruits of power, writes Laura Tyson

Taiwan's long-ruling Nationalist party, the Kuomintang, fearing that the opposition Democratic Progressive party may try to nationalise its vast business empire should it coma to power, is consolidating its assets, converting them into more liquid form and investing profits offshore.

Accustomed to ruling by fist and fiat, the 100-year-old KMT has turned to its extensive business interests to keep its grip on power through the ballot box.

So far the strategy, whila costly, appears to have worked. The KMT is believed to have an edge over the opposition in elections to be held on Saturday. However, the party, which has seen its mandate slip perilously since the lifting of martial law in 1987, is scrambling to protect its riches.

It is coming under increasing pressure to disclose the true extent and origins of its assets. DPP legislators have drafted a law governing the activities of political parties, but the KMT has obstructed attempts to put the draft on the parliamentary agenda.

"There are a lot of unanswered questions about how the party became so rich and how it started all its businesses," says Professor Lu Ya-li, a political scientist at National Taiwan University. "The party's main concerns right now are to maka all the companies private so people will never know bow rich the KMT really is, and to move assets offshore, both for economic and political reasons."

The party is regarded as one of tha island's biggest and most diverse industrial conglomerates. Its seven holding companies have investments in more than 100 enterprises spanning cement, electronics, finance, petrochemicals, telecommunications, construction and trade. The total registered assets of those businesses, of which perhaps a dozen are listed, stood at T$950bn (£23bn) and net assets at T$240bn at the end of 1992, the most recent figures available.

"The KMT has managed to gain control of a large part of Taiwan's economy and accumulate a huge amount of party enterprises and assets, and through these can also exert control over domestic politics," says Prof Chen Shih-meng, an economist at National Taiwan University and co-author of Dismantling Party-state Capitalism, published in 1991. "I doubt very much that President Lee Teng-hui is trying to build a true democracy in Taiwan as long as he wants to hold on to the party's wealth."

In the last year, the party has begun to invest offshore, mainly across south-east Asia where it ranks among the biggest foreign investors in Vietnam and Indonesia. It has invested or considered investing in tha US, Japan, Hong Kong, Burma, Russia, Paraguay and even China, though through circuitous channels as it officially bans investments in the Chinese mainland.

As democracy threatens to erode the longstanding privileges of KMT enterprises, the party's new policy is to list as many of its companies as possible on the stock exchange. Last week Fuh-Hwa Securities Finance, whose monopoly on finance for margin share trading is being broken down by deregulation and is one of the party's biggest earners, went public.

According to a book just published by the party, The Evolution and Ideals of the Kuomintang of China, the purpose behind listing KMT companies is "so that all the people may share in their success".

Critics say it is so that the KMT can reap while they are still profitable. "Through listing, the party will be able to cash in assets very quickly and transfer them overseas if necessary," says Prof Chang Ching-hsi, also an economist and the other author of Dismantling Party-state Capitalism. "That way the party can also use its assets more flexibly before elections," he added in a reference to alleged vote-buying.

This weekend voters will for the first time elect mayors for Taipei and Kaohsiung, the island's two largest cities, and a provincial governor in what are the most important polls to date in Taiwan's political reform. Municipal councils and a provincial assembly will also be elected.

A DPP victory would not pose an immediate threat to the KMT's empire. Nonetheless a KMT loss would tilt the balance in favour of the opposition in crucial parliamentary elections late next year and first ever presidential elections slated for early 1996.

Critics say that the KMT built its empire through its privileged position. The party bought land from the government at a fraction of market value, enjoyed monopoly market positions in certain sectors and preferential access to government contracts, they say.

KMT officials do not deny such charges but counter that party businesses have contributed greatly to Taiwan's economic and cultural development and moreover many of them are marginally profitable or even loss-making.

The advent of democracy has resulted in ever-tighter links among party members, businessman and politicians. "Party discipline is now a major problem for the KMT," says Prof Lu. "In the old days, party leaders could impose their will on the rank and file but now they must use persuasion. This has resulted in trading of favours and widespread corruption."

In addition, says Prof Chen, there are many enterprises that are only partially owned by the KMT "but in fact are completely controlled by the party, not in legal but in practical terms".

Once transformation of its business empire is complete, the KMT should be well positioned to withstand the rigours of democracy. Analysts estimate its annual expenditures at $200m compared with $2m for the DPP. The KMT's ability to out-finance the opposition in future elections looks likely to be assured for some time.

President Lee Teng-hui watched over by a portrait of Sun Yat-sen, founder of the 100-year-old KMT Reuter

Economic overheating approaches the danger level

By Laura Tyson in Taipei

Taiwan may be experiencing too moch of a good thing as its economy gains speed, the country's planning ministry warned yesterday. The economy showed signs of overheating in October for the second consecutive month, the cabinet's Council for Economic Planning and Development said.

The council's coloured signal system for measuring economic health flashed a "yellow-red light", indicating fast growth but danger that the economy may be overheating. Until September, a yellow-red signal had not been used since August 1989. A green light, meaning steady growth, was posted for nine consecutive months before September.

An October business confidence survey showed 65 per cent of manufacturers taking part believed the economic climate would remain stable for the next three months, unchanged from a month earlier. Businessmen who felt the economy would improve in the next three months fell from 23 to 21 per cent; those expecting it to worsen climbed from 12 to 14 per cent.

Last week the government's central statistics office said growth in gross national product reached 6.08 per cent in the third quarter of this year, up from 5.62 per cent in the second quarter. The forecast for the fourth quarter was raised to 6.9 per cent from 6.44 per cent, based on improved export performance and strong domestic investment.

The statistics office forecast GNP growth would reach 6.1 per cent in 1994 and 6.52 per cent in 1995. In 1993 Taiwan's GNP rose 6.02 per cent.

● Taiwan's negotiators blamed counterparts from their arch-rival China yesterday for failure of six days of bilateral talks in the eastern Chinese city of Nanjing, Reuter adds.

Returning to Taipei's international airport, Mr Shi Hwei-you, Taiwan's chief negotiator, said the Chinese side had raised new questions that prevented final agreements being signed. "Both sides in principle agreed on the structure and resolutions for an agreement," said Mr Shi, deputy secretary-general of Taiwan's quasi-official Straits Exchange Foundation (SEF).

"But (China's) Association for Relations Across the Taiwan Straits (ARATS) raised many new questions and that led to tha failure of signing a final agreement," the semi-official Central News Agency quoted Mr Shi as saying.

INTERNATIONAL NEWS DIGEST

Australian 'right to strike' row

Australia's federal government was yesterday at loggerheads with the powerful Australian Council of Trade Unions (Actu) over the country's new "right to strike" law, as a 24-hour stoppage by aircraft refuellers and oil tanker drivers in support of a 12 per cent industry-wide pay claim brought chaos to airports. On Friday, the Industrial Relations Commission ruled that by pursuing an industry-wide pay claim the union involved – the Transport Workers Union – was seeking to avoid "enterprise-bargaining", and that its right to strike free from the threat of legal action should be withdrawn. The Labor government yesterday said it supported this stance. But the Actu weighed in behind the TWU, whose appeal against the IRC ruling will be heard today. "If pattern (industry-wide) bargaining is good enough for politicians, judges, members of the IRC and the business sector, then it's good enough for transport workers," said Mr Martin Ferguson, Actu president. *Nikki Tait, Sydney*

Malaysian politician on trial

A leading member of Malaysia's dominant political party appeared in court yesterday on corruption charges. Mr Abdul Rahim Tamby Chik, until recently chief minister of the state of Malacca and head of the youth wing of the United Malays National Organisation (Umno), was charged with abuse of power and corruption in relation to land deals in his state.

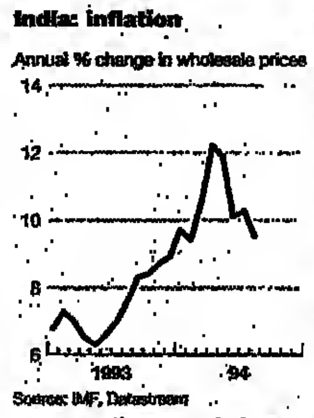
In a case which caused widespread controversy in Malaysia, Mr Rahim was forced to resign from his official posts last month after it had been alleged that he had sexually abused a 15-year-old girl. The attorney general subsequently ruled that, although there was a strong suspicion about Mr Rahim in the case there was not enough evidence to bring charges. Mr Rahim had been considered a close ally of Prime Minister Mahathir Mohamad. *Kieran Cooke, Kuala Lumpur*

Japan-Germany council set up

Japan and Germany will proceed with long-delayed plans for a council to promote corporate co-operation in science and technology. Mr Heinrich-Dietrich Dieckmann, German ambassador to Japan, said yesterday the joint council on high technology and environment technology would hold its first meeting in Tokyo on December 12 and 13. *William Dawkins, Tokyo*

Indian inflation rate is falling

India: inflation



Source: IMF, Datastream

The Indian inflation rate is falling, according to data published this week showing that the annual rate of increase of wholesale prices in the week ending November 12 was 8.89 per cent. The inflation rate is well below its recent peak of 13.7 per cent in 1991-92, when Prime Minister P.V. Narasimha Rao, launched his economic reforms. It is also comfortably below a recent high of more than 11 per cent in May this year, when the rate of increase was pushed up by rises in prices of government-controlled commoditias including fertilisers. A good monsoon, the seventh in succession, has helped limit price increases. *Stefan Wagstyl, New Delhi*

China spells out views on Gatt timing

By Guy de Jonquières, Business Editor

China said yesterday that it would offer no new concessions in its eight-year-long negotiations to rejoin the General Agreement on Tariffs and Trade if the talks were not concluded by the end of the year.

However, Beijing eaid it would continue to participate in negotiations after the deadline until its Gatt status was resumed, if it were asked to do so by the secretariat of Gatt or the World Trade Organisation, its successor.

The message was conveyed to Mr Peter Sutherland, Gatt director-general, by Mr Long Yong-tu, Beijing's chief negotiator, who has led a Chinese delegation to Geneva to take part in further mambership talks.

Western diplomats said the statement appeared to be a face-saving acknowledgement that it may be impossible to reach an agreement on WTO entry terms by the end of the year, and that China may have no option but to accept an extension. They pointed out that Beijing appeared to have softened its previous line by dropping suggestions that it would walk away from the talks if the year-end deadline was not met.

They also said China's insistence that it would not make fresb offers or seek bilateral negotiations with Gatt members after the end of this year need not prevent it from responding to demands by other countries that it make concessions.

"To the extent that it is not useful to set artificial deadlines, then so mucb the better," said one US trade official about Mr Long's statement.

The US and the EU have both told Beijing recently that they would be prepared to consider helping China to fulfil its ambltion of becoming a founder member of the WTO by conferring such status on it even if it joined well into next year.

However, China has balked at the offer, arguing that it is a device to enable the US to continue spinning out membership negotiations indefinitely. Beijing blames the US for the slow progress of the talks to date, saying that every time China makes a concession, Washington asks for more.

The US, under strong pressure from American industry, has insisted that China join the WTO as a developed country – a demand which Beijing has strongly rejected. Although the EU agrees with Washington that Beijing still has a long way to go to meet the requirements of the multilateral trading system, it is ready to be more flexible by allowing China an sdjustment period after it enters the WTO.

Fears grow over EU weapon's safety

Some see trade proposal turning into unguided missile, says Guy de Jonquières

US Section 301 trade legislation, which calls on other countries to open their markets or face the threat of retaliabon, has long inspired fear and loathing in critics around the world.

Few have spoken out more loudly than Sir Leon Brittan, Europe's trade commissioner, who has accused Washington of using "bilateral bully" tactics to extract trade concessions by force.

But now Sir Leon has stirred up controversy by proposing an EU trade measure whicb, according to its opponents and supporters, could serve many of the same purposes as Section 301 actions.

At issue is the Commission's plan for a so-called illicit practices regulation. Submitted to tbe Council of Ministers recently as part of the Uruguay Round implementing legislation, it aims to streamline existing EU procedures for tackling other countries' trade barriers.

Sir Leon insists the regulation differs from Section 301 because it would be used only to hold other countries to agreed international rules, not to pass unilateral judgments on their trade policies.

His reassurances have not, however, convinced everyone. "The more Brussels tries to explain why the regulation is not like Section 301, the more similar it sounds," saye a senior official of one of Asia's moet successful exporting economies.

The proposal has divided EU members. France and most Mediterranean governments support it, saying the EU needs to beef up its negotiating muscle to compensate for cuts in its trade barriers required by the Uruguay Round.

"When your market defences are coming down, it makes sense to switch to the attack," says an official of the Patronat, the Frencb employers' organisation. "The reguletion is a can opener. It is not Section 301, but is in the same spirit."

Such thinking troubles more liberal EU governments. Britain, Denmark, Germany and the Netherlands fear that the proposal could unleasb an unguided missile which might threaten the authority of the new World Trade Organisation.

The proposal is backed by Unice, the European industry federation. However, the BDI, the German employers' body, says it supported the Unics line only out of European solidarity, and has deep reservations about the planned regulation.

Formally, the proposal is a revision of the EU's "new commercial Instrument", whicb permits action against trade practices not already banned by Community rules. Though in existence since 1984, it has has been little used.

The new regulation would make it more accessible by entitling individual companies – not just EU governments and industry bodies, as at present – to institute complaints against other countries' trade barriers. The complaints would be dealt with by a new committee of member states and the Commission, and be chaired by the latter.

Commission officials say this "third track" would give European exporters the right to the same prompt investigations as EU anti-dumping procedures offsr importers which face low-priced foreign competition.

Brussels stresses that the proposal addresses trade practices "incompatible with international law" and would be used primarily to identify cases for adjudication by WTO disputes panels. However, they do not exclude using it against countries outside the WTO, and in areas where WTO rules are lacking or incomplete.

EU government critics, however, are worried by several aspects of the proposed regulation, which they say is not essential to implementation of the Uruguay Round. Their main concerns are:

- That its wording is too vague and could lead to indiscriminate attacks on any trade practices used by other WTO members, rather than only tbose which are actionable under WTO rulas. For instance, French industry thinks the regulation should ba used against countries which permit anti-competitive practices, such as cartels, in their home markets. These currently lie outside the WTO's jurisdiction.
- That the procedures envisaged could give the Commission too much scope for action, without consulting closely enough with the Article 113 committee, the body in which the Commission and EU governments co-ordinate external trade policy.
- That there are uncertainties about how the regulation would fit with a recent European Court ruling which says the Commission and the Council have "mixed competence" over trade in services.
- That it is unclear what form of actions, other than reference to a WTO disputes panel, the EU might take against allegedly illicit practices, and whether such actions might include unilateral retaliation.

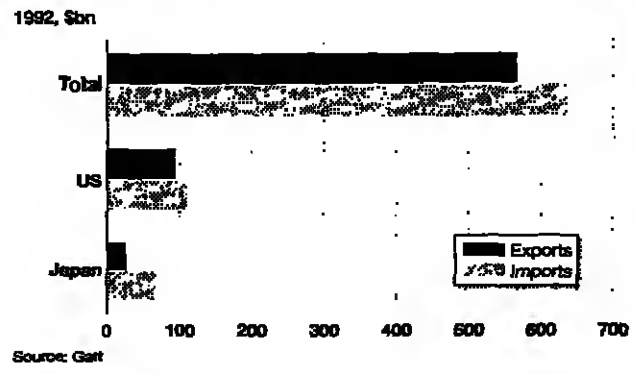
Commission officials insist that, unlike Section 301, the proposal does not provide for unilateral sanctions and say they would not resort to them. However, French officials say the regulation's exact application in this and other areas is still under debate.

Some observers suspect the Commission may have deliberately left details of the proposal unclear. They say that, for all Sir Leon Brittan's criticisms of aggressive US trade tactics, his alternative approach of "quiet diplomacy" towards Japan has produced little.

As a consequence, he faces growing pressure from European industry to adopt stronger market-opening measures. In its present form, the proposal looks sufficiently tough to satisfy these demands, withont committing the Commission to taking specific actions.

Even the regulation's liberal-minded opponents think Sir Leon would not abuse it. But that is not their main concern. Says one: "The problem is that he will not have the job forever, and a more protectionist successor might have fewer scruples."

EU external trade



Source: Gatt

Brittan: stirred up controversy

CONTRACTS

Japan seeks renewed oil rights

Japan has asked Kuwait to renew promptly Arabian Oil's drilling rights in oilfields off the Gulf emirate.

Mr Ryutaro Hashimoto, minister of international trade and industry asked Mr Abdulmohsen al-Mudaj, the visiting Kuwaiti oil minister, for an early decision to extend the existing contract, due to expire in 2003. Arabian Oil is the only Japanese operator of oilfields in the Middle East, from which Japan buys the bulk of its oil needs. Reuter, Tokyo

■ Hyundai Precision and Industry, a unit of South Korea's Hyundai Group, has won a contract worth about $60m to supply electric locomotives and rail coaches to Malaysia. The deal with the Malaysian government covers the supply of 66 coaches and locomotives by the second half of 1996. Reuter, Seoul

■ S Megga International Holdings has formed a telecommunications joint venture with China Electronic System and Engineering. Total investment is expected to reach Yn100m ($11.75m).

The venture, CESEC Telecom Network System, will be responsible for sourcing, installing and maintaining equipment for Global Positioning Systems 800Mhz trunking systems and cellular phone networks in a number of Chinese cities. Reuter, Hong Kong

■ Walt Disney will launch its first overseas pay channel in Taiwan in March, 1995. The 20-hour-a-day, seven-day-a-week pay cable family service will feature Disney animation dubbed in Mandarin Chinese and subtitled family films. Disney Channel Taiwan forecasts an initial audience of 1.5m households in the first year. AFX, Taipei

■ Japan's Electric Power Development said GEC Alsthom's unit, GEC Alsthom Moteurs, has won a contract to supply two hydroelectric generators for the 8MW Saitsunaigawa river power plant. AFX, Tokyo

US factions rally forces for today's Uruguay Round vote

By Nancy Dunna in Washington

Opponents and supporters of the Uruguay Round global trade pact yesterday put on a buge advertising campaign and series of media events before today's vote on the pact in the House of Representatives.

The vote on the legislation implementing the round is set to pass in the House, but Thursday's vote in tbe Senate is likely to be much closer. Mr Ralpb Nader, the consumer activist and a leader of anti-Gatt forces, said neither side could claim enough votes in the Senate, where 60 are needed for passage.

The battle, conducted when there is little else in the national news, received national attention on a par with the fight over the North American Free Trade Agreement. Opponents maintained that polls showed the US public were against the deal.

In an effort to counter the negative messages, supporters, led by the Alliance for Gatt Now, poured funds into television, radio and print. Individual companies – Boeing, Merrill Lynch, and EDS – entered the fray and trade groups such as the Grocery Manufecturers of America called for "a vote of confidence in America's ability to succeed in a fair world trading system".

President Clinton held e rally with supporters, hoping to convince wavering senators. The president said: "It is not a Repnblican agreement or a Democratic one. It is an American agreement designed to benefit all the American people in every region of our country and from every walk of life." Three former presidents – George Bush, Gerald Ford and Jimmy Carter – released a letter to the president calling the pact "a bridge from the post-war world of half a century ago to the post-Cold War world which is being forged today".

"Every nation in the world is waiting for us to pass this agreement," said Mr Mickey Kantor, the US trade representative.

The US Business and Industrial Council, a protectionist business group, placed a large advertisement in the Washington Post listing names of 91 defeated and retiring senators and house members. "The Gatt vote will be very close," it said. "This means that the defeated lame dnck Congressmen and senators – many of whom will soon become lobbyists for special and foreign interests – will get to decide OUR economic future."

All weekend CNN ran an advertisement with pigs – designated as members – at a trough. "Some call it a global trade deal, but hidden inside is billions of special interest pork," it says. "Call your senators today and tell them don't butcher the budget. Take the fat out of Gatt."

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

■ UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	91.3
1986	105.5	100.9	6.9	98.0	95.3
1987	108.4	106.0	6.1	105.5	96.3
1988	112.6	110.7	5.4	106.1	99.8
1989	115.6	112.4	5.2	99.3	98.5
1990	116.4	112.4	5.4	84.6	94.7
1991	114.0	110.3	6.6	62.2	99.4
1992	117.6	112.6	7.3	60.3	104.0
1993	123.9	117.6	6.7	65.2	108.7
4th qtr.1993	5.7	4.3	6.4	69.4	109.7
1st qtr.1994	7.0	5.0	6.5	71.3	110.2
2nd qtr.1994	6.1	5.8	6.1	74.7	111.4
3rd qtr.1994	5.5	6.5	6.0	75.2	113.9
November 1993	5.8	4.2	6.4	68.9	108.9
December	6.0	4.6	6.3	70.7	109.7
January 1994	4.4	4.9	9.6	66.7	110.0
February	7.0	4.6	6.4	72.9	109.9
March	9.7	5.4	6.5	74.3	110.2
April	6.7	5.0	6.4	73.5	110.6
May	5.6	6.0	6.0	76.4	110.7
June	5.9	6.4	5.9	74.1	111.4
July	5.0	6.2	6.1	77.2	112.6
August	5.6	6.8	6.1	74.9	113.0
September	5.9	6.6	5.9	73.4	113.9
October		6.7			

■ JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	77.2
1986	106.6	99.7	2.8	94.3	84.4
1987	113.6	103.1	2.8	108.3	91.8
1988	122.6	113.1	2.5	135.9	97.2
1989	132.5	116.7	2.2	147.0	99.4
1990	141.7	124.5	2.1	149.8	97.0
1991	144.6	126.6	2.1	144.2	94.8
1992	139.9	119.0	2.1	124.2	94.2
1993	131.8	113.6	2.5	106.6	100.0
4th qtr.1993	–5.0	–4.2	2.7	103.3	100.0
1st qtr.1994	–2.6	–3.0	2.8	101.7	103.2
2nd qtr.1994	–1.6	–1.1	2.8	102.9	104.5
3rd qtr.1994		1.6			106.1
November 1993	–6.5	–3.2	2.7	111.6	99.3
December	–2.5	–3.5	2.8	99.5	100.0
January 1994	–2.0	–2.7	2.7	97.0	100.9
February	–8.7	–4.3	2.9	97.7	101.9
March	–3.1	–2.1	2.8	110.7	103.2
April	–1.9	–2.0	2.8	99.5	103.9
May	–3.4	–1.6	2.8	103.8	104.0
June	–0.1	0.7	2.9	105.1	104.5
July	–0.2	–0.5	3.0	98.9	105.6
August		3.6	3.0	106.9	106.4
September		1.6			106.1
October					

■ GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	89.7
1986	103.3	102.2	6.4	136.4	88.5
1987	107.4	102.6	6.2	149.4	90.4
1988	110.5	106.3	6.2	164.6	95.7
1989	114.2	111.4	5.6	216.7	98.1
1990	123.5	117.2	4.6	261.1	98.5
1991	130.5	120.8	4.2	270.7	95.6
1992	127.7	119.1	4.9	260.2	90.2
1993	122.4	110.8	5.8	198.5	96.2
4th qtr.1993	–5.8	–3.1	6.3	180.9	96.2
1st qtr.1994	0.4	–0.0	6.5	194.3	98.9
2nd qtr.1994	–1.9	3.1	6.6	188.4	101.9
3rd qtr.1994	–2.6	3.2		194.3	103.7
November 1993	–5.1	–4.0	6.3	180.1	95.7
December	–8.3	–1.1	6.3	182.9	96.2
January 1994	0.4	–1.6	6.4	190.9	96.9
February	0.4	1.0	6.5	196.8	97.8
March	6.4	0.7	9.5	195.6	98.9
April	–7.9	2.8	6.6	192.6	100.3
May	2.6	2.3	6.6	187.6	101.1
June	–0.2	4.1	6.6	185.6	101.6
July	–3.1	6.4	6.5	190.1	102.5
August	–3.2	1.7	6.5	193.4	103.2
September	–1.3	1.7		199.3	103.7
October				207.6	

■ FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.5	100.0	90.7
1986	102.4	101.1	10.4	107.0	96.6
1987	104.5	103.1	10.5	117.2	96.3
1988	107.9	107.3	10.0	135.3	101.4
1989	109.5	111.3	9.4	160.8	101.0
1990	110.3	112.6	6.9	163.2	95.0
1991	110.3	113.2	9.4	128.2	96.0
1992	110.5	113.2	10.4	109.5	94.2
1993	110.7	109.6	11.7	90.0	97.0
4th qtr.1993	–0.5	–1.5	12.6	80.3	97.0
1st qtr.1994	1.3	0.4	12.5	93.6	99.9
2nd qtr.1994	–1.2	3.6	12.6	110.6	101.7
3rd qtr.1994	1.4	4.6	12.6	109.0	102.0
November 1993	2.0	–0.1	12.4	79.6	96.2
December	–0.6	0.0	12.4	77.5	67.0
January 1994	0.7	1.9	12.5	82.5	97.7
February	1.6	–0.6	12.5	95.1	98.6
March	2.0	0.6	12.8	103.3	99.9
April	–3.8	3.6	12.6	113.6	101.3
May	9.1	3.9	12.7	109.6	102.0
June	–2.7	3.9	12.6	106.3	101.7
July	–2.1	4.9	12.9	105.2	101.3
August	3.6	4.6	12.6	109.6	101.6
September	2.5	4.6	12.7	111.9	102.0
October					

■ ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	9.9	98.1
1986	106.6	104.1	10.4	94.0
1987	112.1	106.8	10.9	95.6
1988	107.9	114.2	10.9	99.6
1989	118.8	118.7	10.9	67.6
1990	114.4	118.0	10.3	94.0
1991	110.9	115.4	9.8	96.3
1992	116.9	115.4	6.9	93.3
1993	114.2	112.9	10.2	100.6
4th qtr.1993	–6.9	–0.3	10.7	100.9
1st qtr.1994	–5.7	–0.9	11.7	102.2
2nd qtr.1994		5.0	12.5	101.7
3rd qtr.1994		6.6		
November 1993	–5.4	–1.4	n.a.	100.4
December	–9.8	1.9	n.a.	100.9
January 1994	–6.3	–3.5	n.a.	101.5
February	–6.6	–0.2	n.a.	102.0
March	–2.3	1.0	n.a.	102.2
April	–10.5	6.9	n.a.	102.4
May	–3.2	2.8	n.a.	102.2
June		5.2	n.a.	101.7
July		6.8	n.a.	
August		12.3	n.a.	
September		7.3	n.a.	
October			n.a.	

■ UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	90.0
1986	105.3	102.4	11.2	118.1	93.1
1987	110.7	106.5	10.3	141.2	97.1
1988	117.9	111.9	6.6	143.1	95.6
1989	120.1	114.0	7.2	123.5	93.6
1990	121.1	113.7	5.6	97.2	91.6
1991	119.8	109.2	8.8	68.2	95.3
1992	120.5	109.0	9.9	69.6	99.2
1993	124.6	111.3	10.3	76.3	106.7
4th qtr.1993	3.9	2.6	10.1	82.6	106.7
1st qtr.1994	3.5	4.3	6.6	84.6	108.8
2nd qtr.1994	3.9	6.0	9.6	89.0	109.1
3rd qtr.1994	3.5	5.6	9.5	96.9	110.1
November 1993	3.8	3.3	10.1	83.5	105.6
December	4.2	9.2	9.9	83.7	106.7
January 1994	3.9	4.5	10.0	84.4	107.6
February	2.6	4.0	6.9	84.5	108.4
March	3.7	4.4	9.8	84.8	108.8
April	4.3	9.2	9.6	67.4	108.7
May	4.1	5.3	9.6	88.2	108.9
June	3.1	6.4	9.6	91.3	109.1
July	3.8	5.5	6.6	93.9	109.5
August	3.2	5.5	6.5	97.6	109.6
September	3.5	6.6	6.4	99.4	110.1
October	3.1			105.7	

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

NEWS: UK

Company hopes undersea tie with Scotland will follow restoration of connection severed by IRA

Irish cross-border electricity link to reopen

By John Murray Brown in Dublin

The power link between Ulster and the Irish Republic, which was damaged by a series of IRA bomb attacks in the early 1970s, is to be restored, Northern Ireland Electricity, the privatised power utility, announced yesterday. NIE is the largest quoted company in Northern Ireland.

The rehabilitation of the North-South Interconnector is one of a number of cross-border initiatives dusted off in the wake of the paramilitary ceasefires. The move will result in savings for both NIE and the Electricity Supply Board, the republic's power utility.

The restoration also increases the viability of NIE's proposed £175m ($287m) power link with Scotland, the subject of a public inquiry which should be complete by February.

An NIE official said yesterday the two projects were "perfectly complementary and in line with European energy policy".

The company's link with the republic will improve load-management efficiencies, allowing both companies to cover temporary power shortfalls. It will also provide trading opportunities for NIE to sell to ESB.

NIE stressed they were "still talking about contracts". However, ESB estimated the project could result in savings of I£500,000 ($810,000) a year.

Mr Geoffrey Horton, the Northern Ireland electricity regulator, is raviewing NIE'a proposed undersea interconnector project with Scottish Power after a request from Northern Ireland's consumer committee.

As part of the review, Mr Horton is looking at alternativa proposals including one from Meekatharra Minerals, the loss-making Australian mining company, to build a lignite power plant near its coal development near Ballymoney in County Antrim.

NIE said yesterday the company had "nothing to fear" from the outcome of any review process. "Its not just a [power] generation problem, its also a question of ending the province's [Northern Ireland] isolation," said Mr Jeff Rigby of NIE.

The European Union has already given its backing to the project with a grant of £61m for the interconnector with Scotland under EU regional aid. NIE said the north-south interconnector could be in service by next March.

If the Scottish Power link up gets the go-ahead, both Irish grids, north and south, will for the first time be intagrated into the European network.

Pearson and BBC to launch extra satellite channels

By Raymond Snoddy

The BBC and media group Pearson yesterday announced their plans to push ahead with the launch in January of two 24-hour European satellite television channels, one devoted to news and the other entertainment.

BBC Prime, a subscription aervice concentrating on drama, comedy, light entertainment, natural history and children'a programming, will replace the BBC's existing European general programming.

BBC World, to be financed by advertising, will offer news on the hour backed up by current affairs, documentaries asnd factual programmes.

Both channels, aimed mainly st continental European cable television networks, will be launched on January 26. Neither will be available in the UK although the BBC hopes eventually to launch a 24-hour television news service for Britain.

The launch is the first fruit of the atrategic alllance announced earlier this year between the BBC and Pearson, owner of the Financial Times.

The number of subscribers to cable networks is accelerating according to official figures from the Independent Television Commission. By October 1 a total of 779,461 homes was connected to modern broadband cabls networks, a 50 per cent increase over 12 months.

Under the deal Pearson has agreed to meet the estimated peak financing cost of the two-channel venture of up to £30m, with the BBC contributing broadcasting expertise and programmes from its library.

At the moment the venture is a 50-50 one between Pearson and the BBC, but talks are said to be at an advanced stage to bring in one or more additional investors who would hava a total of 20 per cent.

It is believed that a new potential partner is Cox, the Atlanta-based media group.

Plans are already baing drawn up to take similar channels to both the Far East and north America. The smaller markets of Australia and South Africa are also being examined.

UK NEWS DIGEST

Growth eludes newcomers to phone market

The newcomers to the UK mobile telephone market, Mercury One 2 One and Hutchison Telecoms' Orange, are failing to make an impact in the business sector, saya a survey of members of the Telecommunications Managers Association, which represents large users of telephones. It says the sector continues to be dominated by the traditional operators, Vodafone and Cellnet. One 2 One is a joint venture by Mercury and US West and the largest shareholder in Orange is Hutchison Whampoa, the Hong Kong conglomerate.

Vodafone remains the principle mobile phone operator with a 46 per cent share while Cellnet, a joint venture by British Telecommunications and Securicor, has 38 per cent. Mercury One 2 One, which was launched last year, has a 2 per cent share while Orange, launched about six months ago, has 1 per cent.

Orange, however, is expected soon to overtake One 2 One in popularity in the business community. Asked which operators were most likely to meet business needs over the next two years, 31 per cent of respondents chose Vodafone, 21 per cent Cellnet, 14 per cent Orange and 1 per cent One 2 One.

The survey, published at the annual TMA conference yesterday, confirms anecdotal evidence that Vodafone and Cellnet are taking the lion's share of tha current portable phone sales boom because their analogue systems are mature, well-tested and provide extensive coverage of the country. The newcomers, which offer only digital services, are still developing their technical infrastructures, and both are limited in coverage.

Australian competitor arrives

Telstra, the large government-owned Australian telecommunications group, plans soon to launch an international telephone service for UK-based corporate customers. The group acquired a licence to operate in the domestic UK market in April, and was the second overseas carrier to do so. It suggested then that it would offer domestic voice and data services, and resale services to Australia.

Its plans now envisage a broader international call service aimed at corporations and financial institutions. Telstra said it plans to start marketing the service immediately, although it will probably not come into effect until February and will not be launched formally until March. The group faces increasing competition in its domestic market. Its previous monopoly position has been eroded and it has been attempting to counteract this with international expansion.

● Nynex CableComms, one of the largest cable operators, yesterday launched new low-cost phone services for business customers. to include free local calls to multi-site subscribers with three or more Nynex lines per site.

Police to keep helmets

The Metropolitan Police, who patrol most of London, are to keep their traditional pointed helmets for safety reasons, Scotland Yard said yesterday. The helmet, introduced in 1863 and based on a military design used by the Prussian army two decades earlier, is reinforced with plastic and provides protection against a blow to the head. The decision to allow the helmet to survive a review of police clothing will help identify officers from the increasing numbers of private security firms with police-style uniforms. Some police forces, including the one in the northern city of Manchester, are switching to peaked caps similar to those used in Scotland.

Row between rail companies

One of the new state-owned train operating companies has accused Railtrack, the owner of the national network's track and stations, of providing auch a poor service that it has been unabla to rum its advertised timetables. North London Railways said it had held talks with Railtrack about urgently needed improvements. Mr Chris Gibbard, retail manager of North London, told the local consumer watchdog committee: "We have all been as frustrated as yourself and all our customers at Railtrack'a apparent inability to manage the route."

Details of Mr Gibbard's comments were made public by Ms Glenda Jackson, the actress who is now Labour MP for the London constituency of Hampstead and Highgate. "This letter shows the damage being caused by the government'a irresponsible fragmentation of the network," she said. Railtrack and North London Railways are two of the units carved out of the former British Rail in preparation for a sell-off of the network in the next few years.

Racists blamed for attack

A racial motive lay behind a beating with a brick which left an Asian shopkeeper in south Wales near death, senior police officers said. Police believe young men staged a disturbance in tha early hours of Sunday to lure Mr Mohan Singh Kullar, 60, from an upstairs flat where he lives with his family. Racist graffiti have been scrawled on the shop recently and the family has received threatening letters.

Mr Kullar, who suffered a double fracture of the skull, was said later to be "critically ill" on a life support machine. "He was cold-bloodedly struck about the head; there was no robbery or burglary," said Detective Chief Superintendent Phil Jones. Mr Peter Hain, the local Labour MP, called in the House of Commons for an inquiry into "the rising tide of racist and Nazi violence in south Wales". Police later held five teenagers in connection with the attack on Mr Kullar.

Workplace discipline tightened

Many companies have tightened disciplinary procedures for employees and have widened the range of disciplinary offences in the past six years, says a survey from the independent Labour Research Department. It has found that 79 per cent of 147 procedure agreements covered in the survey were tightened or modified over the period. "The range of possible offences is increasing and cover a wide variety of issues not previously the subject of discipline including smoking, sex and race harassment and computer-related offences," it says.

It has found "some evidence to suggest that companies have used ths recession and the lengthening unemployment queues to tighten up on discipline". The proportion of workplaces considering sexual and racial harassment as matters of gross misconduct by employees has risen from 3 per cent in 1988 to 16 per cent.

Rentokil overtakes Glaxo in survey

By Tim Dickson

Rentokil, the highly profitable business services group, bas replaced pharmaceuticals giant Glaxo as Britain's most admired company, a survey said yesterday.

Queens Moat Houses, the debt-ridden hotel group, was least admired, slthougb Lonrho and Eurotunnel were only just ahead in the poll published by Management Today magazine in association with Loughborough University.

The survey covered the 10 biggest quoted companies by stock market capitalisation in each of 26 industrial sectors.

The 10 most admired companies

Company	1992	1994
Rentokil	3	1
Glaxo	1	2
Marks & Spencer	6	3
SmithKline Beecham	9	4
Unilever	2	5
Reuters	5	6
Cadbury Schweppes	14	7
Electrocomponents	-	8
Shell	7	9
Bowthorpe	-	10

The chairman, chief executive and five other directors from each of the businesses were asked to rate companies in their sector on a scale of one to 10 on the basis of nine criteria.

These ranged from management quality, financial soundness and ability to recruit and retain top talent to innovation, community and environmental responsibility and use of corporate assets.

Sector analysts at 10 leading investment companies were also asked for their opinions.

Apart from Rentokil and Glaxo – the latter topped the previous survey in 1992 – Marks and Spencer, SmithKline Beecham, Unilever, Reuters and Shell were all well regarded and retained their places in the top 10. Among less familiar names Electrocomponents, the electronic and mechanical components distribution group, and Bowthorpe, the manufacturer of specialist electronics, were eighth and 10th respectively.

Companies making the greatest strides from 1992 included snpermarket group Asda (up from 239th place to 198), Whitbread (161 to 25) and British Steel (189 to 54). Among the biggest losers were the exhibitions group Blenheim, which has been plagued by poor results, profit warnings and internal dissent (down from 80 to 256), pharmaceuticals group Wellcome (11 to 108) and Enterprise Oil, the unsuccessful bidder for Lasmo (79 to 222).

Crackdown urged on black market in milk sales

By Alison Maitland

The UK government, dairy industry and farmers' leaders called yesterday for a crackdown on an emerging black market in milk sales.

The intervention Board, the government department that polices Common Agricultural Policy milk quotas in the UK, is investigating allegations that farmers are illegally selling milk to small processors.

Under European Union regulations, all milk sold by farmers must be offset agaiost their individual quota limit. It is illegal to sell the milk without declaring it.

The deregulation of the dairy industry in Britain has helped push up prices to farmers, encouraging them to produce more milk and boosting demand for quota. European milk quotas, however, prevent British farmers from meeting more than 85 per cent of the domestic needs.

Mr William Waldegrave, agriculture minister, said farmers were understandably frustrated about the EU quota constraints. But they would be "wrong and foolish" to break the rules.

"They'd find themselves in very great difficulty at a time when we're rightly adding to the drive on fraud in the CAP," he said. "Any suggestions that was beginning to happen in the UK would be very damaging."

The intervention board said more than half the 30 tip-offs to its fraud hotline, set up on November 9, had alleged milk fraud.

Milk Marque, the dairy farmers' co-operative that controls more than 65 per cent of supplies in England and Wales, said "a handful" of its members were being investigated for alleged fraud.

Mr Neil MacFarlane, manager for the Midlands and north Wales, said: "It's not a massive problem, but it gets emotions running high when people are seen to be cheating. It's another potential fraud and it could become large-scale." Farmers face hefty penalties for producing milk without aquota.

They could be levied 29p (40c) a litre by the Intervention Board and face an unlimited fine and up to two years in prison if the case goes to the criminal courts.

Milk quotas are traded between farmers. However, the cost of buying or leasing the extra quota a farmer needs to cover increased output has soared, reaching a peak this year of 21p a litre for leased quota.

Sir David Naish, president of the National Farmers' Union of England and Wales, said quotas caused difficulties, but there was "no excuse for black marketeering". Milk Marque urged the intervention board to "stamp on it." Breaches were fairly obvious, Mr MacFarlane said. "It's very difficult to hide a 16 or 18-tonne tanker going on to your farm."

This year's overproduction of milk may push the UK over its 14bn-litre quota. Milk Marque urged farmers to wind down production gradually.

Replace CAP subsidies, says think-tank

By Alison Maitland

Agricultural subsidies to farmers in the European Union should be phased out and replaced by a "safety net" of social and environmental payments in rural areas, the Royal Institute of International Affairs will recommend this week.

The radical proposals from the Chatham House think-tank are the latest in a groundswell of pressure for further reform of the Common Agricultural Policy, intensified by the proposed entry of east European countries into the EU.

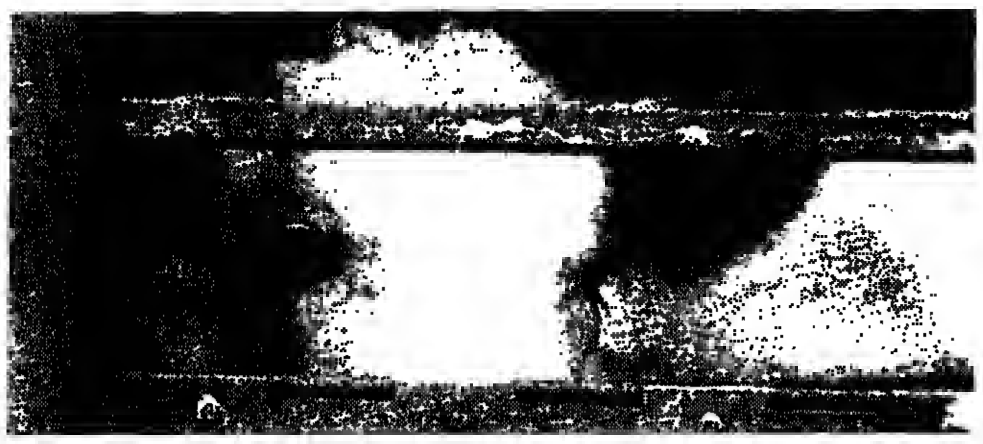
The institute calls in a 10-point programme of reform to be unveiled in Brussels on Thursday for a comprehensive policy for rural development to replace the CAP and take on a comparable political importance. It says this would involve "organisational changes" in the European Commission and the Council of Ministers – a hint that farm policy would be better dictated by a wider range of ministers than farm ministers.

The report is designed to coincide with the arrival of the new European Commisaion next year. It recommends that support for all CAP products should be reduced to near world market prices over five to seven years and that border tariffs should be lowered.

Existing compensation paid to farmars for price cuts should be phased out, while compensation for reductions in support prices in as yet unreformed sectors such as sugar should not be related in any way to output levels in order to discourage overproduction. It should also carry specific time limits.

The institute wants production quotas for sugar and milk to be transferable across borders in the short term, and to be eliminated in the long term. But it says payments for adopting environmentally friendly practices should be available to all farmers. It calls for member states to have greater freedom to introduce social and environmental schemes provided these are strictly controlled to prevent unfair competition.

Farm leaders attack, Page 30



Mr William Waldegrave, the UK agriculture minister, said yesterday it was highly unlikely that his European Union counterparts would agree this year acceptable limits on journey times for animals being transported to slaughter.

He said he did not expect agreement, although the best hope lay with the German presidency of the EU, which will conclnde at the end of this year. It was even less likely under the French presidency next year because France would be preoccupied with elections.

Leading British ferry companies have atopped transporting live animals to mainland Europe following protests from animal welfare groups. The companies say they will reconsider their bans only if there is EU-wide agreement on shorter journey times.

Mr Waldegrave said in London at the start of the Royal Smithfield Show, the UK'a main livestock show, that the government was ready to introduce its own code of practice for hauliers if no EU deal emerged, and would seek help from other member states to police it.

While accepting there was genuine concern abont animal welfare, he condemned violent tactics by extremists, such as bomb threats against ferry companies. "We will not allow policy to be dictated by those who use such methods," be said.

Lord disclaims earldom to remain an MP

The government'a chances of securing victory in the vote on the European Communities finance bill were boosted yesterday after a minister renounced an earldom which he had recently inherited, James Blitz writes.

Lord James Douglaa-Hamilton, a junior Scottish Office minister and MP for Edinburgh West, announced that he would not adopt the title Earl of Selkirk following the death of the 10th earl, his uncle, five days ago.

If he had not made the statement Lord James could have been barred immediately from the Commons chamber and unable to vote in tonight's crucial division.

Lord James's current title is a courtesy title and he can therefore sit as an MP.

He said yesterday that he would renounce the earldom under the provisions of the Peerage Act 1963. He had already submitted documents of disclaimer.

He said he had been unhappy to act so soon after the earl's death, but added: "I owe it as a duty to my constituents whom I wish to continue to serve, and as a matter of loyalty to the prime minister and to the Conservative party, to support John Major in the voting lobby tonight."

He had discussed the matter with Mr Ian Lang, the Scottish secretary, and Mr Malcolm Rifkind, the defence secretary, before making up his mind.

Mr Lang said last night: "Lord James's decision is greatly to his credit. It reflects his strong commitment to the welfare of his constituents."

The Peerage Act was used by Mr Tony Benn, the Labour MP, to renounce the title Viscount Stansgate in 1963. Mr Quintin Hogg, the former Lord Chancellor, and Sir Alec Douglas Home, the former prime minister, also renounced peerages in order to sit in the Commons.

Several MPs pointed out yesterday that Lord James's decision was particularly significant because he had a majority of just 879 in Edinburgh West at the last general election.

During last night'a critical debate on Britain's contributions to the EU budget, Conservative Euro-critic Sir Teddy Taylor said that an "enormons" number of MPs would vote for "what they think is a load of rubbish".

He warned: "I know there is a substantial number on this side who are totally opposed to what is happening, who feel obliged to vote for it."

He could not walk down the street and face people "straight and open" if it was decided to pour more cash into "this wasteful, fraudulent and non-democratic organisation".

Settlement highlights extent of asthma

By Motoko Rich

A bakery worker has received £27,500 ($45,100) in an out-of-court settlement with his employer after claiming he had asthma from inhaling flour dust.

The settlement was announced yesterday, as Britain's Health and Safety Executive released research which showed employees who inhaled chemical and natural irritants at work could become life-long victims of asthma.

Mr Roger Atley of Shawfield, Glasgow, worked for the Rntherglen plant of Greggs, the Newcastle upon Tyne-based bakery chain. A court had been due to start hearing his damages claim against the company today.

The settlement was reached without any admission of liability by Greggs. The HSE said the case would make employers realise the importance of heeding warnings about the risks of asthma at work.

Robin Thompson and Partners, Mr Atley's solicitors, said they were already taking legal action on behalf of other bakery workers who said they contracted asthma in similar circumstances.

The HSE's research, jointly funded by the National Asthma Campaign, found that increased workplace exposure to such irritants is the most important factor in triggering occupational asthma.

Previously, researchers had concentrated on the predisposition of an individual towards allergic reactions, rather than the intensity of exposure to the irritants, said Professor Anthony Newman Taylor, of Royal Brompton Hospital, who carried out the research.

He estimates there are between 1,500 and 2,000 new cases each year.

Mr Murray Devine, a senior HSE health policy official, said employers should install better air extraction systems, enclose the processes which expose workers to irritants and provide protective equipment such as masks.

Row over duty-free sales reaches High Court

Ferries, airlines, goods suppliers and Dover Harbour Board yesterday asked the High Court to block the attempt by Eurotunnel, the Channel tunnel operator, to put an end to duty-free shopping.

Eurotunnel, which is not allowed to sell duty-free goods on its trains although it has duty-free shops at Folkestone and Calais, claims its competitors are enjoying an unfair and discriminatory advantage under European free trade laws because they can subsidise fares from on-board sales profits.

Eurotunnel's competitors argued that its application for a judicial review of a 1991 Customs and Excise decision allowing the duty-free trade to continue should be struck out because it was brought outside legal time limits.

The Customs decision was based on a ruling by the European Council of Ministers that, despite the advent of the European single market, the trade should be allowed to continue until 1999 because of the failure to harmonise rates of duty between member states.

At the start of a five-day hearing, the ferry companies' counsel told Lord Justice Balcombe and Mr Justice Tucker Eurotunnel was seeking to argue that its competitors had no sufficient legal interest in the case, enabling them to seek a strike-out order. He said this was clearly a "blatant" attempt to stop the court deciding the question of delay.

The ferries and the other operators obviously had an interest because they relied on revenue from duty-free sales and would be seriously affected if Eurotunnel won its case.

Eurotunnel, which says the duty-free trade represents a total loss to the Exchequer of £600m a year in excise duty and value added tax, is asking that questions of European law are referred to the European Court of Justice as a preliminary to the full hearing of its judicial review application.

BUSINESS AND THE LAW

French request on air routes rejected

EUROPEAN COURT

The president of the European Court of Justice has rajected France's application for suspension of the European Commission's April 1994 decision on access to the Paris (Orly)-Marseille and Paris (Orly)-Toulouse air routes.

He said the alleged damage to Air Inter, the French regional airline, and French air transport had not been established.

The Commission's decision said France could not rely on the exclusivity provisions of the 1992 council regulation (2408/92) on access to Community air routes to refuse Community airlines access to the contested routes, in favour of Air Inter.

In June 1993, TAT European Airlines had applied to the French authorities for a licence to operate on the contested routes. The application was rejected on the basis of the 1992 regulation which permitted exclusive concessions on internal routes for a transitional period, when service could not be assured by other forms of transport. The French authorities claimed Air Inter, part of the Air France group, enjoyed exclusivity under a 1985 agreement.

In September 1993, TAT complained to the Commission, relying on a number of grounds including breach of the 1992 regulation. It argued France had agreed in October 1990 to terminate the Air France monopoly over the contested Orly routes by March 1 1992. Since TAT served tha same routes from Paris Charles de Gaulle, Air Inter did not have exclusivity as envisaged by the regulation. TAT claimed the consequent discrimination between TAT and Air Inter in the allocation of routes infringed the 1992 regulation.

TAT asked the Commission to adopt a decision under the 1992 regulation, saying France could not continue to apply the measure in issue. The contested decision was adopted on April 27, giving France until October 27 to comply.

In dismissing the French application for suspension of the Commission decision, the ECJ president said the rules of procedure required two conditions to be satisfied: urgency and *prima facie* grounds for interim measures.

To be urgent, it must be necessary for the Court to adopt interim measures to prevent serious and irreparable harm resulting from the immediate application of the challenged decision.

The president rejected France's arguments that serious and irreparable harm would result. France claimed that Air Inter would lose 35 per cent market share within one year. This would prevent its operation of allegedly unprofitable services on tha contested routes. Consequently, it would have to grant state aids to Air Inter to maintain that service, but would not be able to adopt the necessary measures before the end of 1995.

France also maintained the immediate application of the decision would cause serious harm to the organisation of French air transport and the policy of territorial management. And since the exclusivity provisions of the regulation would expire on January 1 1996, the main appeal would be without purpose and the alleged damage irreparable.

The Commission's response was that the evidence on the market evolution and profitability of Air Inter, which was unchallenged, revealed that it was unprofitable on international routes and not Orly routes. Even if specific regional routes were to be given up by Air Inter, which was unlikely, it said there were other airlines with lower costs which could enter the market and maintain French air transport policy.

The president concluded the predicted losses were uncertain. Even if French estimates were correct, the risk that Air Inter would abandon certain loss-making regional routes was a hypothesis subject to innumerable unpredictabilities. And if that did happen, there was no reason to believe the French authorities would be unable to ensure continuity of those routes by inviting other airlines to service them or by imposing public interest obligations in accordance with the 1992 regulation.

Since the harm alleged was not established, it was not necessary to decide if *prima facie* grounds for interim measures existed.

C-174/94R, France v Commission, ECJ order of president, October 26 1994.

BRICK COURT CHAMBERS, BRUSSELS

At risk from harassment

UK companies cannot afford to ignore sexual misconduct, says **Robert Rice**

Corporate Amarica blanched in early September when a jury in California awarded Ms Rena Weeks, a former secretary at international law firm Baker & McKenzie, $7.2m for sexual harassment by partner Mr Martin Greenstein.

Ms Weeks, who had worked for Mr Greenstein for just 25 days, took on the might of the world's largest law firm and won the biggest ever sexual harassment award in a case not involving sexual assault or rape. What, then, might someone in her position inflict on a corporation less well placed than Baker & McKenzie to defend itself?

In the search to find a rational explanation for the size of the award in the days that followed, law firms and company executives were tempted to regard it as an aberration of America's bizarre system of punitive damages.

After all, the San Francisco jury had awarded Ms Weeks only $50,000 for emotional distress caused by Mr Greenstein touching her breast while putting sweets into her blouse pocket. The rest of the award was punitive damages.

But those who kidded themselves that the Weeks case was a one-off were soon disabused of the notion. The jurors, who had heard testimony of alleged sexual harassment from other Baker & McKenzie employees, told America's Court TV they felt that a message needed to be sent not just to the law firm but to all companies of the dangers of ignoring and covering up unacceptable conduct.

The result of the Weeks case, according to US employment lawyer Mr Ronald Green, a partner of New York's Epstein Becker & Green, is likely to be a big jump in the number of sexual harassment claims in the US.

Last week, Mr Green, who is widely regarded as America's leading employer defence attorney in sexual harassment and discrimination cases, was in London to talk to UK companies about the rise in this type of lawsuit in the US and the risk this poses to UK businesses.

He said the most obvious risk was to companies with operations in the US. His message to them was that their US investment would be imperilled by indifference to this problem and they should take action now, rather than waiting until they faced a lawsuit.

His advice was the same as that to his US corporate clients: carry out an immediate risk assessment, look at the company's prior history of complaints, check grievance procedures, and train your staff.

"The aim is to hava employees know enough to axpand their rights," he said. But not too much – "you don't want to create a flow of grievances and complaints".

AP

Rena Weeks: a jury in the US awarded her $7.2m for sexual harassment

The second group most at risk comprises UK subsidiaries of US companies. These companies need to be aware of the problem, because the US exercises jurisdiction in this area over a US-owned or controlled employer anywhere in the world.

US-owned companies in the UK could find themselves facing lawsuits in the US from UK-based employees. There was a timely reminder of this in April, when three male foreign exchange dealers at the London branch of Goldman Sachs, the US investment bank, were forced to resign following complaints of sexual harassment from a female colleague.

Mr Green also believes the UK could soon face a wave of its own sexual harassment cases.

Although awards in the UK are unlikely to reach US levels – because juries do not decide damages except in libel cases, and punitiva damages are not generally available – there are signs of an upsurge in sex-based employment actions.

The UK Equal Opportunities Commission says the number of complaints of sexual harassment at work that it received last year rose by 58 per cent from 502 in 1992 to 793. In the first nine months of 1994 it had already received 552.

Public awareness of the problem in the UK has increased through cases such as that brought by Samantha Phillips, an aviation insurance broker with Willis Corroon. In August she was awarded £18,000 damages by an industrial tribunal after claiming she was sacked because she spurned the advances of a senior manager.

The biggest threat to UK companies from sexual harassment claims will come if the UK allows actions to be brought on behalf of a whole class, or group, of employees. In the US, Mr Green said, class actions in employment cases were well established. In April 1992, for instance, the Illinois-based State Farm Insurance Company settled a sex discrimination class action for $157m.

In May 1993, in the first class action for sexual harassment, a Minnesota District Court found the Eveleth Taconite mining company guilty of sexual harassment for creating a hostile work environment for women. Damages are yet to be assessed.

Class actions in this area are potentially devastating. In the US, a woman or a man who has been sexually harassed has the right to go to the US Equal Employment Opportunity Commission, which will investigate and prosecute the complaint free of charge. If the complainant is unhappy with the result, he or she is entitled to bring an action for damages before a civil jury.

Under a new Federal statute, the damages for emotional distress and punitive damages recoverable by a plaintiff proving sexual harassment before a Federal jury are capped at $300,000, although the cap does not extend to damages for lost prior or future earnings.

In a single action, this law would be of benefit to employers, but in a class action the picture is different. One employee can claim not just on his or her own behalf but theoretically on behalf of all members of the class – which could mean every woman who works for, or has worked for, an employer.

With each member of a successful Federal class action entitled to recover up to $300,000, the potential threat of such a case to a company's finances is enormous.

Under state law, however, things are even worse. No state has a cap on damages for emotional distress and only a handful, such as New York State, has a cap on punitive damages. Ms Weeks was able to recover $7.2m because she brought her case under California state law. "One large class action under state law could wipe out a corporation," Mr Green said.

Where companies have offices in several states, there is also a potential for forum shopping. Complainants could choose to bring a sexual harassment class action in a state such as Florida, Michigan or California, which traditionally produce the highest jury awards.

Mr Green earned his reputation as an employers' defence attorney through tough cross-examination of claimants on their past sexual behaviour and personal history. However, that hard-nosed approach is under threat from new federal laws, extending the shield given to rape victims to plaintiffs in sexual harassment cases. The new law prohibits indiscriminate use of a plaintiff's sex history.

Mr Green said this would make it more difficult for employers to disprove plaintiffs' claims that sexual advances were unwelcome and unprovoked. "You win these cases by destroying the credibility of the accuser," he said.

Such cases look like becoming harder for employers to win. Companies doing business in the US have been warned.

LEGAL BRIEFS

Companies liable for employees' price-fixing deals

The English House of Lords has overturned the Appeal Court's 1992 ruling in the Smiths' Concrete case, in which it said companies were not liable for their employees' breaches of competition law.

In 1991 Smiths and three other ready-mixed concrete companies operating in Oxfordshire were fined by the Restrictive Trade Practices Court for allowing their representatives to enter into price-fixing and market-sharing arrangements. On the basis that the companies had expressly instructed employees not to participate in anti-competitive arrangements, and were therefore "not party to the agreements", the Appeal Court allowed their appeals. The House of Lords has now overturned those decisions.

The Law Lords said that to rule otherwise would allow companies to benefit from restrictive trade practices outlawed by Parliament if the arrangements were made by employees and had been forbidden by "higher management". An employee acting for the company within the scope of his or her employment was the company, they said. The Lords also described the fines of up to £25,000 as "derisory".

Competition lawyers say the decision points up the need for companies to adopt effective competition compliance programmes or risk heavier penalties in future.

Breast implants

An estimated 50,000 British women who had breast implants before June 1993 have two more days to register for a share of the $4.2bn worldwide settlement by US manufacturer Dow Corning. Foreign women who fail to register by December 1 will be excluded from the settlement and may lose the right to pursue claims in the US courts.

TECHNOLOGY

Cancer kills five people every minute of the day. In the first of a six-part series, Clive Cookson reports on the war against cancer and the encouraging trends behind the statistics.

IN THIS SERIES:

DECEMBER
Causes and prevention. Smoking. Diet and food supplements. Sunshine and skin cancer. Chemicals and other environmental causes. Vaccines against cancer-causing viruses. Antibiotics to prevent stomach cancer.

JANUARY
Diagnosis and screening. Genetic susceptibility. Scans. Identifying cancer markers in the blood. Politics and economics of screening.

FEBRUARY
Chemotherapy. Drugs to kill rapidly dividing cancer cells. Reducing multi-drug resistance. Anti-nausea drugs and other ways of reducing side effects. Hormone-based treatments. Photodynamic therapy. Herbal and alternative remedies.

MARCH
Radiotherapy. X-rays. Gamma rays. Neutron beams. Heavy ions. Magic bullets. Antibodies and fusion toxins aimed at cancer cells.

APRIL
Genetic treatment and other biotech approaches. Gene therapy and anti-sense. Cell migration and adhesion. Apoptosis and cell suicide. Immunostimulants. Cell growth factors. Interferons and interleukins.

Closing in on a serial killer

Cancer continues to sink its clews deeper into mankind. After two decades of "war on cancer", fuelled by billions of research dollars, the death toll rises inexorably.

The disease – named after the Latin word for crab because of the crab-like pattern made by blood vessels on a growing tumour – will kill an estimated 2.5m people in the industrialised world this year. That amounts to almost a quarter of all deaths.

The gloomy mortality statistics contrast with excitemeot among cancer researchers, who have made more progress towards understanding the fundamental processes responsible for the disease over the past 15 years than in all previous history. The important question for present and future cancer patients is how quickly the new knowledge can be cooverted into better diagnosis and treatment.

At present there is a gap between doctors' continuing inability to provide much more than palliative care for millions of cancer patients and the cascade of optimistic stories in the popular media about "breakthroughs" in research, such as discovering cancer genes and inventing experimental drugs.

There is an inevitable delay – typically a decade or so – while ao advance in medical science is developed for commercial application. So no ooe should expect the latest discoveries to have made any clinical impact yet. But many people will remember "breakthroughs" from the 1970s and early 1980s, such as interferon and "magic bullet" antibodies, which would have transformed cancer treatment by now – if they had lived up to first expectations.

Very few patients are treated with novel approaches derived from biotechnology. The vast majority still undergo the well-established procedures of chemotherapy (poisoning cancer cells with a drug cocktail) and radiotherapy (destroying them with radiatioo). Surgery is also used to cut out solid tumours.

"We hear the word 'breakthrough' thrown around too much," says Nicholas Wright, clinical director of the Imperial Cancer Research Fund in London, "and we certainly get the impression that the public are a bit jaundiced by scieotists talking about breakthroughs."

Why are more people contracting and dying from cancer? The first reason is an epidemic of cancers caused by smoking, particularly lung cancer. "At least 30 per cent of all cancer deaths are tobacco-related," says Archie Turnbull, executive secretary of the Geneva-based UICC, an umbrella body for the world's cancer charities.

A second, more fundamental reasoo is that cancer is mainly a disease of old age. As medicine becomes more successful at preventing early deaths from other illnesses such as heart attacks and strokes, more people are living beyond the age of 70, above which the risk of cancer rises rapidly.

Despite the overall rise in cancer mortality, there have been substantial improvements in some areas. The most encouraging feature of the statistics since the 1970s is the progress in curing cancers in children and young adults – particularly leukaemia, Hodgkin's disease and testicular cancer – through new drug combinations. The number of children under the age of 15 dying from cancer has fallen by half.

There are two principal reasons why young people are responding more readily to treatment. One is that youthful cancer cells in the blood or lymph systems are physically easier to reach and destroy with drugs and/or radiation than the solid tumours of the middle-aged and elderly. Another reason is that the difference between proliferating cancer cells and normal cells is greater in childhood cancers than in slower-growing adult tumours. Therefore chemotherapy and radiotherapy, which work by damaging DNA during cell division, can destroy more cancer cells without causing unacceptable side-effects.

Prospects for curing the big killers – tumours of the lungs, bowels, stomach, breast, prostate and pancreas – depend above all on developing treatments that discriminate more effectively betweeo cancer and normal cells than the drugs used in chemotherapy today.

The discovery of genetic changes leading to cancer should make this possible, says Gordon McVie, scientific director of the Cancer Research Campaign. "These provide for the first time an absolute chemical differeoce between the cells. Until oow we have had to rely oo qualitative differences – the cancer cells making rather more of some proteins and less of others."

Scientists have identified more than 100 geoes that can trigger the cellular processes leading to cancer, if they mutate. (Causes of mutatioo include carcinogenic chemicals, radiation, family inheritance, and random changes during cell division.)

One dangerous type of genetic change stimulates cell growth. Another shuts down the protective "tumour suppressor" genes which normally prevent excessive proliferation. The former has been compared with a car that has its accelerator jammed on, the latter with a failure in the brakes.

New approaches to the prevention, diagnosis and treatment of cancer are being built on such differences between the genes of diseased and normal cells – and the corresponding differences in the proteins they produce. One possibility is to block the damaging effects of abnormal "growth factors" which sustain the proliferation of tumour cells, without harming healthy cell growth.

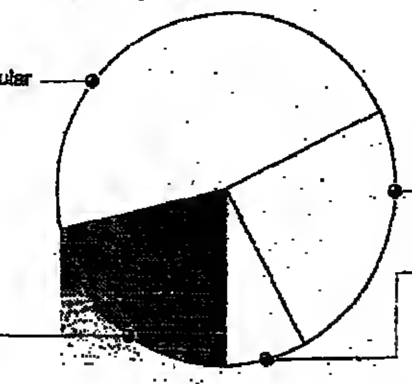
But cancer genes are not the only reason why researchers are excited. Another is their new understanding of the way the body's immune system recognises and ettacks cancer cells. This has led to experimental "cancer vaccines" to boost the immune response.

These novel "biotech" approaches to cancer diagnosis and treatment will be examined over the next six months on the Financial Times technology page. So will advances in more conventional chemotherapy and radiotherapy.

The aim is to convey the real optimism that now prevails in the laboratories – a hope and expectation that cancer will eventually be restricted to a disease of the very old – without raising excessive expectations about the speed and ease with which this will happen.

After 50 years in cancer research, Sir Richard Doll of the ICRF Cancer Studies Unit in Oxford sums up the mood: "We are winning the war against cancer, albeit slowly."

Causes of death
In developed countries (1990)

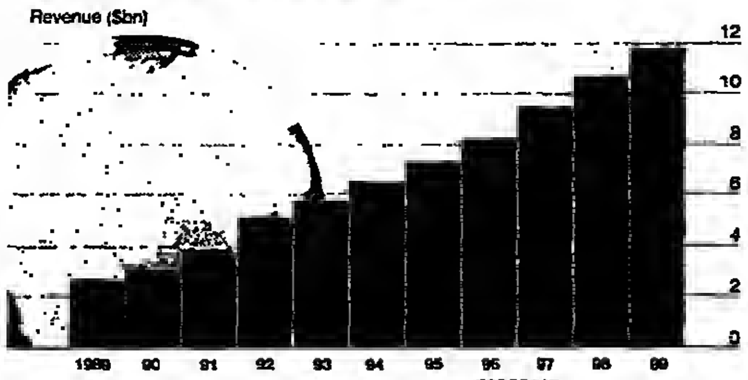


Deaths by cancer
in developed countries ('000s)

Mouth and pharynx	52	Cervix	33
Oesophagus	62	Other uterus	38
Stomach	244	Ovary	60
Large intestine	273	Prostate	110
Liver	55	Bladder	63
Pancreas	118	Other & ill-defined	406
Larynx	33	Hodgkin's disease	8
Lung	530	Other lymphoma & myeloma	89
Melanoma	23	Leukaemia	75
Breast	177	ALL CANCER	2,450

Source: WHO, ICRF

World market for cancer drugs



Source: Frost & Sullivan

Disease tops list of industry priorities

The pharmaceutical industry is devoting huge resources to cancer research and development, in relation to sales of existing drugs.

Although reliable figures are not available, industry sources estimate that companies worldwide spend $3bn (£2bn) a year on cancer R&D. US companies are responsible for about half the total.

The cancer therapeutics market is worth about $6.5bn this year, according to Frost & Sullivan, the international market research company: 38 per cent in the US, 26 per cent in Europe and 36 per cent in the rest of the world.

The leading suppliers are Zeneca of the UK (whose tamoxifen was the best selling-cancer drug with $550m sales in 1993) and Bristol-Myers Squibb of the US.

"Devoting almost 50 per cent of sales revenues to R&D is a very high figure indeed," says David Barrett, Bristol-Myers Squibb's strategic projects director. The industry's overall R&D expenditure is 15 per cent of drug sales.

The main reason why cancer spending is so high is that the disease is top of the industry's priority list of "unmet needs". Although deaths from heart disease are twice those from cancer, they are falling – and cardiologists already have e much wider range of effective treatments than oncologists.

At the same time, scientific advances are giving many new leads both to traditional drug companies and to the emerging biotechnology sector. The world now has more than 1,000 experimental cancer drugs in the R&D pipeline.

Analysts such as Decision Resources and Frost & Sullivan predict continued growth of more than 10 per cent a year in the cancer market into the next century. It is expected to exceed $10bn by 1998.

The industry's cancer R&D spending is matched by e further $3bn a year from the world's governments and charities. By far the largest contributor is the US National Cancer Institute, which receives $2bn a year in federal funding.

The charitable sector is particularly important in the UK, where the Imperial Cancer Research Fund and Cancer Research Campaign spend £100m a year between them – 10 times as much as the state-funded Medical Research Council.

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Disease tops list of industry priorities

MANAGEMENT: THE GROWING BUSINESS

Italian borsino planned

Plans announced last week to launch a pan-European stock market for entrepreneurial companies have struck a chord in Italy, where banks, business federations and the stock exchange authorities are encouraging the birth of a baby stock market, or "borsino".

The plan ought to stand a good chance of success. Italy's innovative small and medium-sized companies, particularly those in the north of the country, are recognised as the backbone of the Italian economy, and many are enthusiastic exporters bent on expansion. But management consultants say their development is being hampered by their inability or unwillingness to take on more bank debt, making stock market flotation a tempting alternative.

Consob, Italy's stock exchange watchdog, has invited consortia to submit offers to set up a second market, which would trade ordinary shares as well as bonds and warrants. Promoters would have to guarantee the presence of et least 50 companies with an overall market capitalisation of more than L500bn (£198m) and the involvement of an adequate number of intermediaries to guarantee liquidity.

The main problem, however, will be persuading growing Italian businesses – many of them family-owned – that they need to list their shares, after decades of relative prosperity as unquoted companies. To encourage entrepreneurs on to the second market, the government is offering fiscal incentives to small companies which decide to float their shares, and to investors who want to buy them. A further snag is that even the main equity market, in Milan, is relatively underdeveloped.

As for the European second market, advocates of an Italian version are sceptical about the willingness of investors in Rochdale wanting to buy shares in a Rimini-based company. Although the second Italian market will be national, the emphasis is at first likely to be on local savers investing in local companies.

Andrew Hill

A clean job of it

Richard Gourlay on a laundry owner's experience of working with Investors in People

From autocrat to democrat: 'I am having to learn to delegate,' says David Coulter

During the first holiday David Coulter took after founding his laundry business, Stalbridge Linen Services, he read a book on management by Peter Drucker.

To Coulter, a boot-strapping entrepreneur who began his business washing pub tea towels in London launderettes, Drucker was merely re-stating the obvious. "You talk to the customers and find out what they want and provide it. And if it goes wrong, you find out why and sort it out," says Coulter.

Without knowing it, Coulter says he had been applying much of this theory as be grew his business in Dorset to £6m of sales and a workforce of 200 people.

It was therefore a rude shock when he applied for Investors in People, a government-sponsored programme set up in 1990 to boost training and management development in the UK. Instead of sailing through to IIP recognition, Coulter found his management team fell well short of the mark.

The production side of the laundry – sorting, washing, pressing and packing – passed with flying colours. But in frank conversations with the consultant who helped implement the IIP programme, Coulter was told his management relied on firefighter decision-making, rather than foresight and planning, and that there was considerable scope for improving communication among the team.

"We bad senior managers who were relying on experience and know-how from the past and were not looking to improve themselves or inspire the people underneath them," Coulter says. "The attitude had to change."

Driving down a narrow Dorset lane shortly after starting the IIP programme, Coulter recognised his problem. Like the traffic building up behind two dawdling cars, the pace of Stalbridge's progress was being dictated by its slowest managers.

He fired the entire management team and made them reapply for their jobs. Nine months later, in May this year, Stalbridge won IIP recognition. Most of its managers got jobs back in different areas. But responsibility is now more effectively delegated, training systems are better documented and the management team has been allowed to grow now that it has been freed of the influence of managers who did not encourage personal development, Coulter says.

His early scepticism about the IIP programme is not uncommon. He approached the exercise thinking it would be a good marketing tool but otherwise with low expectations.

The surprise at discovering that IIP has real benefits is also not unusual. According to Mark Spilsbury, senior research fellow at the Institute of Employment Studies at Sussex University, a growing number of case studies suggest the IIP programme is achieving its aims.

"Unusually in our evaluations of government initiatives, the response has been quite astonishingly positive," Spilsbury says, based on the early stage of an evaluation he is conducting. "Employers certainly liked it [IIP] and thought it had made an impact on how they had done their training and development and thought it would filter through and benefit the bottom line."

He believes IIP opens up channels of communication and will eventually increase businesses' chances of surviving and growing. "It gets them [managers] focusing on their business needs," he says. "It goes all the way through from the mission statement, the business plan and training plan linked to that. For some companies that is quite new stuff."

The IIP programme is funded by the department for employment and administered through the Training and Enterprise Councils which market it to local companies. Some companies qualify for a subsidy from the Tec. Dorset Tec paid about half the cost of Stalbridge's IIP consultant but the expense of implementing the programme still came to £30,000, Coulter says.

Companies that seek the standard must agree to training all employees towards specified corporate objectives; they must regularly review training and development needs and identify the necessary resources in their business plans. They must train employees when they are recruited and evaluate subsequent training and development and revise their targets.

The government's intention is that half the companies with more than 200 employees should have achieved IIP recognition by 1996. More than 350 companies are already recognised as Investors in People and 2,800 are on the way to achieving recognition – this is about 35 per cent of companies with more than 200 employees.

But is there any proof that IIP works? "I would say there is plenty of evidence, though not proof, of improvements," says Mary Chapman, chief executive of Investors in People UK, a government-supported body promoting the IIP programme. "There is reduced absenteeism and staff turnover and tangible improved productivity, reduced waste and increased profitability."

Bringing in outside consultants is not easy for any entrepreneur, particularly one like Coulter who has taken an unconventional route.

Coulter and his then wifs had decided to move to Dorset before they had any idea that they would start a laundry business. "We thought of opening a shop but we didn't have enough capital and had to fall back on our experience and what we knew best," says Coulter.

Having started and subsequently bought a local laundry business, Coulter proved it was possible to build a thriving business in an industry where there were relatively low bars to entry.

Coulter knew he had to change from an entrepreneurial to a professional management style. But the IIP programme exposed him to some blunt criticism. "A customer once said I was an autocrat trying to be a democrat," Coulter says. The IIP consultant was broadly of the same opinion.

"I am having to learn to delegate and by delegation I mean you have to train people to develop themselves," Coulter says.

He is also worried about losing his contact with customers, the basis for the growth of his business. "The process is supposed to be getting us closer to customers," he says. "Some people are getting closer but others, like me, are getting more removed."

He is having to learn to let his management team take the reins. No doubt, now that he has recognised this need he will read a management tract that tells him entrepreneurs need to let go if their businesses are to grow.

Midlands funds spoilt for choice

Paul Cheeseright on the proliferation of finance

New funds and fresh schemes to help small companies have been proliferating across the Midlands with such bewildering confusion that concern is growing about fragmentation. The problem now may be not that there is inadequate finance to help aspiring executives, but that there is too much choice.

The initiatives have one thing in common. There is a clearing bank involved somewhere.

Since the end of September, Midland Bank has begun two funds for start-up businesses, one of £300,000 with Birmingham Venture, part of the Chamber of Commerce, and another of £260,000 with Birmingham Training and Enterprise Council.

Lloyds Bank has joined with six government-funded agencies and local solicitors and accountants to set up the £550,000 Arrow Fund to help the small, growing business. Barclays, as the agent for the European Investment Bank, has emerged with a rebate scheme which provides cash for companies using lease finance and creating jobs at the same time.

There is more to come. National Westminster Bank shortly will announce that it is heading a group of 18 private-sector groups providing £2m largely to fund a Business in the Community plan to foster voluntary sector commercial projects.

In January, Aston Reinvestment Trust, the nascent community bank for east Birmingham, will hold its first board meeting. Among the institutions to which it is talking about funding are Co-operative Bank and National Westminster.

In February, the University of Central England will outline a project to help potential fast-growth businesses where senior managers, already in employment, are seeking to break out on their own; behind it will be Midland Bank and 3i, the venture capital group.

This intensity of clearing bank interest at an end of the market which historically banks have tended to find difficult, time-consuming and risky is not confined to the Midlands. Banks give local shape to national plans. Midland, for example, has 30 local loan funds.

Indeed, the banks appear now to be competing for business which previously they eschewed. "All the banks see the value of being involved," said Mike Conroy, a small-business specialist at Midland.

It is a sharp change from two years ago when banks were pilloried for what was perceived to be their indifference to an ailing small-business sector. It is the result of a confluence of circumstances.

The government's 1993 Competitiveness White Paper played a part with its stress on encouraging banks to provide a wider range of products. The banks' own desire, after the criticism of the recession years, to escape the charge that they would only lend against the collateral of physical assets chimed with that urging of the government.

The banks also met a movement from another angle. David Hall of Business Link Birmingham explained that the subsuming of the Enterprise Allowance scheme into the government's Single Regeneration Budget meant that local Tecs, Business Links and councils were looking for new funds. The banks found ready partners to act in a sector where the personality and prospects of a potential borrower are more significant than his assets. The vehicle of partnership proved to be the loan fund.

The fact that organisations such as Tecs and Business Link had the facilities and willingness to school potential borrowers through the writing of business plans meant that the banks could deal with the fund clients at one remove.

The banks could administer the loans but they were spared the time-consuming task of giving pastoral care to borrowers with a negligible business track record. They had a comfort factor, somebody to look after their money for them.

Certainly, the banks are unlikely to make much profit out of the funds. The Midland funds and the Arrow fund offer loans at 1 per cent above bank base rate, the sort of interest charged to blue-chip multinationals.

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"ETHNIKI KEPHALEOU S.A., Administration of Assets and Liabilities", of 1 Skoulenion Str., Athens, Greece, in its capacity as Liquidator of "HYMOFIX HELLAS S.A.", a Company with its registered office in Athens, Greece (the "Company") presently under special liquidation according to the provisions of Article 46a of Law 1892/1990 by virtue of Decision 5104/94 of the Athens Court of Appeal, invites interested parties to submit within twenty (20) days from the publication of this Notice, non-binding written Expressions of Interest for the purchase of one or all of the groups of assets described below.

BRIEF INFORMATION

The Company was established in 1958. On 7/11/94 it was placed under special liquidation according to the provisions of article 46a of Law 1892/1990. Its objects included the production of fruit juice, tomato paste, tomato joice, compotes, vegetables and whole tomatoes (tinned) and fruit puree.

GROUPS OF ASSETS OFFERED FOR SALE

1. A factory, standing on a plot of 30,750 sq. m. located in Pella, Giannitsa, together with the machinery and mechanical equipment, contained in it. This is believed to be rented by a third party. The Company's trade name is also included in this group of assets.
2. A factory, standing on a plot of 8,530 sq. m. located in Tyrnavos, together with the machinery and mechanical equipment contained in it.
3. A plot of land equal to 2,695 sq. m. located in Thessaloniki, together with the buildings standing on it (formerly a factory).
4. Other Assets:
   a. Agricultural plots of land covering an area of 394 sq. m. in Xerokabos.
   b. Agricultural plots of land covering an area of 199,9 sq. m. in Lexena N. Ellas.
   c. Agricultural plots of land covering an area of 241,1 sq. m. in Savalia, N. Ellas.

The above agricultural plots of land are being rented by third parties.

SALE PROCEDURE

The sale of the assets of the Company shall take place by way of Public Auction in accordance with the provisions of Article 46a of Law 1892/1994, as supplemented by art.14 of Law 2000/1991 and subsequently amended and the terms set out in the Call for Tenders for the purchase of the above assets, to be published in the Greek and foreign press on the dates provided by the law.

SUBMISSIONS OF EXPRESSIONS OF INTEREST - OFFERING MEMORANDUM - INFORMATION

For the submission of Expressions of interest, as well as in order to obtain a copy of the Offering Memorandum for each of the above groups of assets, please contact the Liquidator "ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities", 1 Skoulenion Str., 105 61 Athens Greece, Tel: +30-1-323.14.84-7, fax: +30-1-321.79.05 (attention Mrs Marika Frangakis) or the Liquidator's agent, Mr Konstantinos Kyriakis, 120 Solonos Str. Athens, Tel: +30-1-381.68.29.

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Proof of financial status will be required before entering into negotiations.

For further information please write to:
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For further information interested parties should contact J R W Kronfeld Esq on 0883-713 223.

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dti
Department of Trade and Industry

THE LABORATORY OF THE GOVERNMENT CHEMIST: PRIVATE OWNERSHIP

The Department of Trade and Industry intends to transfer the Laboratory of the Government Chemist (LGC) to private ownership by April 1996 either by a non-profit distributing company or through a commercial sale of the business. The DTI's aim is to ensure that LGC transfers as a financially and scientifically viable organisation, retaining its statutory role and its reputation for independence and impartiality, and continues to support the National Measurement System and other major public sector programmes.

The Laboratory

LGC has been an Executive Agency within the Department of Trade and Industry (DTI) since October 1989. It employs about 300 people and has a turnover of about £16 million.

The Laboratory is the focus for analytical chemistry and related sciences in Government and the centre for the development of the chemical National Measurement System. It provides high quality services and advice to underpin the work of Government, commerce and industry related to forensic science, trade and revenue, the environment, food and agriculture, health and safety, and innovation and quality.

Basis of a Sale

An essential feature of the Laboratory's work is its independence from influence by any other party. This includes in particular the statutory responsibilities of the Government Chemist and the Laboratory's role to carry out analyses to discharge these responsibilities.

The remaining work of the Laboratory, including its commercial work for private sector customers, makes use of the skills and facilities associated with these responsibilities, while strictly observing the independence required by LGC's customers. This position will need to be maintained in the future as new commercial opportunities are pursued.

While the DTI is pursuing the establishment of the Laboratory as a company limited by guarantee, it would like to hear from relevant organisations in the private sector with experience of meeting a strong requirement of independence, who would be interested in a commercial sale of the business.

Expressions of Interest

If you would like a copy of LGC's Annual Report for 1993/4 and a note with further information, please write to Bob Collier, DTI Laboratories Unit, Room 314, 151 Buckingham Palace Road, London SW1W 9SS. (Telephone: 071-215 1989. Fax: 071-215 1400).

Organisations interested in purchasing the Laboratory as a business should write to Bob Collier at the DTI no later than 9th December 1994, setting out their initial qualifications and the rationale for their interest.

The Department reserves the right not to pursue further the commercial sale of the business if it is not satisfied that a purchaser can remain free from any conflict of interest and preserve LGC's independence and impartiality. If the Department can be so satisfied, it will decide which intending bidders to include on a short list and will send them further details in an Information Memorandum as the basis for preparing bids.

STATE PROPERTY AGENCY

TENDER INVITATION

The State Property Agency (SPA) invites an open, one-round tender for the sale of the state-owned shares of **Balaton Füszért Kereskedelmi Részvénytársaság (Balaton Füszért Trade Plc.) (H-7400 Kaposvár, Füredi u. 1.)**

Balaton Füszért Kereskedelmi Részvénytársaság is a public limited company, its shares are listed on the Budapest Stock Exchange. Its main profiles are wholesale and retail trade of foodstuffs, household chemical goods and basic groceries. Balaton Füszért has modern warehouse bases in two county seats, in Kaposvár and Zalaegerszeg and several discount and cash and carry stores and supermarkets.

The registered capital of the plc. is HUF 1,330,000,000, that is one billion three hundred and thirty million Hungarian forints, 54,68 percent of which is in state ownership.

The SPA's primary aim is to find a strategic investor, skilled in trade, who, by capital increase and by the purchase of a block of the state owned shares will acquire at least 51 percent of the firm's shares. The capital increase can only be submitted to and approved by the shareholders' meeting following the announcement of the result of the tender.

Each bidder will have to submit two bids:

a) one for the capital increase (to the extent indicated by the investor) and for the purchase of a share package from the SPA in a way that the shares acquired altogether ensure an ownership ratio of 51 percent for the investor.

b) and another for the purchase of 51 percent of the present share capital (HUF 678,300,000)

The Tenderer prefers to offer the share capital increase as oppose to purchasing the shares.

The price expected by the SPA is 115 percent of the nominal value of the shares (bids quoting lower price, however, are not void). The minimum extent of the capital increase is HUF 200,000,000 and can only be performed in cash. In the bid the subscription rate of the shares issued in the course of the capital increase should correspond to the buying rate of shares bought from the SPA.

90 percent of the bid price must be paid in cash, 10 percent in compensation coupons. Foreign investors must pay the total purchase price in foreign currency.

Bidders must deposit HUF 30,000,000 as retention money. A certificate of deposit of the retention money should be attached to the bid.

We hereby announce that the shares of Balaton Füszért were admitted to the Budapest Stock Exchange in May 1994. The present ownership structure of Balaton Füszért is as follows:

SPA	54,68 percent
Municipalities	13,51 percent
Employees	17,83 percent
Institutional and private investors	13,98 percent

For further information please contact:

Attila Tóth, deputy director (in Hungarian)
telephone: (36-1)-267-0054
Michael Stanton, advisor (in English)
telephone: (36-1)-267-0084
Gregory Martin, advisor (in English)
telephone: (36-1)-269-8600

Bids should be submitted to the given address in a sealed, unmarked envelope, in three copies, in Hungarian. Foreign investors may submit their offers also in English or German, but the Hungarian copy will rule.

„Pályázat Balaton Füszért" must be written on the envelope.

The tender documents containing the detailed conditions of participation and the introduction of the firm are available at the Customer Service of the State Property Agency. The price of the tender documents is HUF 30.000 + VAT.

Deadline for submitting bids:

March 1, 1995. between 10.00 and 12.00 a.m.

Place to submit bids:

Állami Vagyonügynökség (SPA)
Room 804
H-1133, Budapest
Pozsonyi út 56.

HUNGARY: PRIVATISATION GOES ON

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PEOPLE

Davidson Kelly quits Lasmo

Lasmo, the oil explorer which earlier this year repelled a hostile bid from rival Enterprise Oil, yesterday announced the surprise departure of its charismatic corporate development director, Norman Davidson Kelly.

Davidson Kelly, described by colleagues as possessing a "certain bounce and flair", is expected to receive a pay-off of less than £500,000.

Davidson Kelly was widely acknowledged to have been the architect of most of Lasmo's largest deals in the past few years. He arrived through Lasmo's 1979 takeover of Oil Exploration Holdings and joined the board in 1986.

Joe Darby, Lasmo's chief executive, says Davidson Kelly's departure came as a result of an organisational review following the Enterprise bid. "The bid helped us to focus on what we needed to do in the future," says Darby. This included "clarifying reporting lines and responsibilities".

Davidson Kelly's responsibilities included finance, investor relations, and developing new business opportunities. These functions would now be divided between Paul Murray, appointed general manager,corporate finance, who will report to the recently appointed finance director, Dick Smernoff, and a new business team comprising Peter Nolan, general manager, and Tom King, director.

Davidson Kelly kept a low profile during the bid, with many observers feeling he could have been a potential weakness in the target company's defence. He had been closely associated with arranging several of Lasmo's controversial acquisitions, including Ultramar.

However, a close associate says that, while Lasmo was acknowledged to have paid far too much for Ultramar, its best assets are those which were acquired in the deal.

Davidson Kelly, whose annual salary was in the region of £180,000, was on a three-year rolling contract. *Peggy Hollinger*

Winning post in Darby's sights

Gavin Darby is expanding his territory within the Coca-Cola empire. President of Coke's northwest European division, he is picking up Great Britain and Ireland (north and south) at the turn of the year. They join France, Belgium, Luxembourg, the Netherlands and Denmark in his portfolio.

He takes over from Penny Hughes, Coke's president of Great Britain and Ireland, who has decided not to return from maternity leave after her baby arrives in April. One of the highest flying female executives in the UK, Hughes, 35, wants to concentrate for a while on family rather than business commitments.

Darby, 38, is moving from Brussels to London to manage his expanded brief. This will be the fourth configuration of countries Coke had managed from London within 10 years, he said.

"We often group divisions around the experience of the leader and I've spent half of my 10 years with Coca-Cola in the UK," he says. With strong teams of country managers, it is easy to make such shuffles, he added. Born in London and educated at Manchester University, he worked in the UK for Spillers Foods and S.C. Johnson before joining Coke in 1984.

Coke remains the largest single UK grocery brand with grocery sales of about £260m, according to Nielsen, the market researchers.

Darby says the biggest task for him - and indeed Coke anywhere - is to get more people to drink its soft drinks rather than other beverages of any kind. "Competing for the consumption occasion" is the phrase that gets Coke pulses racing. In per capita consumption terms, the UK and other European countries are still virgin territory for soft drinks compared with the US.

Another adrenalin-inducing phrase might be Virgin Cola, launched recently by Richard Branson and Cott Corporation. But Darby says competition helps stimulate the whole market and anyway Coke always gets the lion share of any growth.

With Branson likely to have a glass of his own in his hand in every picture, the competition could be brisk. But Darby's not bothered. "We always feature Coca-Cola as the hero, the star." *Roderick Oram*

The art of persuasion at TransTec

Richard Carr, the former Tomkins executive who was appointed chief executive of TransTec just three weeks ago, has persuaded two of the unsuccessful applicants for his job to join the specialist engineering group.

Peter Summerfield, 47, (far right) who is to be managing director of the newly formed manufacturing division, joins from British Aerospace, where for the past five years he has been managing director, operations, for the regional jet business at Avro. The other new director is Tony Kirkman (near right), a 49-year-old engineer who has held a number of senior positions at GEC's Avery subsidiary. He will head up the new controls division.

Carr, 41, said the pair took some persuading. "They are both highly qualified managers with their own egos. But I managed to sell them my vision of the group. It's great that we have got them so quickly – it could well have taken six months or more – and it puts us in a very strong position."

Carr was brought in earlier this month when TransTec's founder, Labour MP Geoffrey Robinson, agreed to split his role as chairman and chief executive following pressure from institutional investors. Previously in charge of US acquisitions for Tomkins, Carr picked up a £10m bonus before he left. *David Wighton*

Non-executive directors

- Godfrey Jillings (above), formerly chief executive of Fimbra and deputy chief executive of PIA, at DBS MANAGEMENT.
- Timothy Curtis, chief executive of Telemetrix, at DOBSON PARK INDUSTRIES.
- Richard Robinson, md of Forbes Schroder & Co, at The KYLE AGENCY.
- Edward Marris, formerly md, as chairman at LEEDA.
- Philip Kaye has retired from CITY CENTRE RESTAURANTS.
- David Hewitt has retired from COLORVISION.
- Philip Girle is retiring from SOUTHERN WATER.
- Robin Burleigh, senior partner of Clifford Chance, at FIRST NATIONAL FINANCE CORPORATION.
- Peter Molony at ALLIED LEISURE.
- Ted Tilly, chief executive of the Consolidated and Financial Insurance Group, at MARCHANT & ELIOT UNDERWRITING.
- Gerald Harris, former commercial director of Central Television, as chairman at MORTON HODSON.
- Peter Everett at EDINBURGH JAVA TRUST.
- Bill Otley as deputy chairman at SWALLOWFIELD.
- John Price has resigned from QUAYLE MUNRO HOLDINGS.
- Michael Krause, president of American Premier's non-standard automobile group, at its subsidiary INSURANCE (GB).
- Philip Barth at ALEXANDERS HOLDINGS.
- David Linnell as chairman at YRM in succession to Tony Hunt who remains on the board but steps down to take operational responsibility for the structural engineering division.
- Adrian Fort at HAMBROS CURRENCY FUND; David Gibbs has resigned.

BUSINESSES FOR SALE

CONTRACTS & TENDERS

COMPANY NOTICES

Everards Brewery Limited

NOTICE is hereby given that the transfer books and register of the 5% Cumulative Preference Shares of the above named Company will be closed on 15th December 1994, to facilitate the preparation of the payment of the half-yearly dividend on 31st December 1994.

By order of the Board
M A Newman
Financial Director & Company Secretary

LEGAL NOTICES

No. 007254 of 1994

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
GILLDALE LIMITED
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 9 November 1994 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the share premium account of the above-named Company by £1,149,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday 7 December 1994.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share premium account should appear at the time of hearing in person or by Counsel for that purpose.

A COPY of the said Petition will be furnished to any such person requiring the same by the under-mentioned solicitors on payment of the regulated charge for the same.

DATED this 25th day of November 1994

Berwin Leighton
Adelaide House
London Bridge
London EC4R 9HA

Ref: IL/L63/1984

Solicitors for the above-named Company

No. 007177 of 1994

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
UNION SQUARE PLC
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 4 November 1994 presented to Her Majesty's High Court of Justice for the confirmation of:

(1) the reduction of the share capital of the above-named Company from £13,325,000 to £5,000,000; and

(2) the reduction of the share premium account of the said Company by £13,362,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday 7 December 1994.

ANY creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share capital and of share premium account should appear at the time of hearing in person or by Counsel for that purpose.

A COPY of the said Petition will be furnished to any person requiring the same by the under-mentioned Solicitors on payment of the regulated charge for the same.

DATED this 25th day of November 1994

Berwin Leighton
Adelaide House
London Bridge
London EC4R 9HA

Ref: IL/U90/22
Solicitors for the above-named Company

Drawn to the kitchen sink

William Packer reviews the work of five artists in vogue during the 1950s

Give a dog a bad name – but with art it would seem that any name will stick. It was remarked in the mid-1950s that certain younger realist painters and writers were fixing upon the more unkempt and informal features of domestic life: the lovely Mary Ure at the ironing-board, the unmade bed, the lavatory bowl, the breakfast-table, the kitchen sink itself. And "Kitchen Sink" was taken up at once, and still stands, as the epithet by which to characterise much of the work, indeed the very mood, of the entire period.

That it was only ever a partial truth would hardly disqualify so patently catchy and convenient a term. But it had its effects, even so, and not all of them benign. It might be all very well in relation to *Look Back in Anger*, or to John Bratby's paintings of table-tops, or Jack Smith's babies, prams and sink. But was it always quite so apropos? What about *Lucky Jim* or *Godot*? More to the point, what about the still-lifes and butchers' shops of Peter Coker, the fields and streams of Edward Middleditch, the Italian farmyards and rooftops of Derrick Greaves?

Give a dog a bad name: so when the mood of the moment lightened with the turn of the decade, and the arch and ironical references of Pop-Art replaced a supposed realist gloom, small wonder that all these painters seemed suddenly so irrelevant and *passé*, ripe for the rubbish bin. Greaves, Smith, Middleditch and Bratby had together represented Britain at the Venice Biennale of 1956. By the mid-1960s, only Smith, who had since "gone abstract", still enjoyed any critical credibility at all.

The critical rehabilitation, which at times amounts to rediscovery, of the painting of the 1950s has been one of the most positive and encouraging critical developments of recent years. For it reminds us that no critical orthodoxy is either permanent or necessarily narrow, and suggests besides that good work eventually will receive its due. The process continues happily with this handsome show at the Mayor Gallery, in which a considerable emphasis is placed upon the role of drawing in relation to painting.

What emerges is that drawing as a discipline is no mere thing of indulgent self-expression, though inevitably the self is expressed. Nor is it simply a matter of technical mastery or demonstration, though of course skill is not to be sniffed at. Rather it is a discipline quite as much of the eye and the mind as of the hand, of observation, understanding and enquiry. The particular subject is studied, the useful record of information made, the larger composition proposed and modified through variation. It is a practical and unselfconscious business, out of which things of great power and beauty emerge.

That we see all these artists as they were as young artists, is, however, a shade dispiriting. For, leaving their painting aside for the moment, here is drawing of a technical quality and seriousness of purpose which in those days could be assumed even from the young, but which today is entirely foreign to the experience of almost any artist under 50. We simply never see it because it is not done, nor even thought to be relevant.

The five heroes, Bratby, Smitb, Middleditcb, Greaves and Coker, are represented by substantial paintings of that period, including Smith's eponymous "Baby in Sink" of 1953, and they are joined in their draughtsman aspect by Henry Inlander and Bruce Tippett. And of them all, what with Bratby, Middleditch and Inlander already dead, Coker sadly now an invalid, and Smith and Tippett both now abstract painters, only Greaves is still at work in the old way. He was always the aesthete, even then as concerned with the elegant run and sweep of the line as with his nominal subject of a pregnant woman or a sleeping baby.

'Stndy of a Baby Asleep - the artist's son Simon', c.1956 by Derrick Greaves

John Bratby's remains a powerful presence, with some fine still-lifes and kitchan interiors and strong drawings. They offer a salutary reminder that a remarkable young artist has been too-long obscured by the reputation of the uncritical, self-regarding buffoon and caricature of himself he became in his later years. Certainly he is remembered by those who taught him at the Royal College in the early 1950s as still one of the most gifted draughtsmen ever to pass through the painting school.

But the star of the show is Peter Coker, with but one large painting of an apple tree, of 1956, and a sequence of ravishing drawings, of trees and landscape, of dead fish and hare and chickens, of butchers heaving carcases about, and of his baby son asleep – for they all drew and painted their children. And the young Coker's drawings, above the rest, make the very point that drawing too, and with a wonderful economy, can aspire to the condition of true art. He is one of the great unacknowledged painters of our time, and it is time we put that right.

The Kitchen Sink and the Beaux Arts Gallery: Mayor Gallery, 22a Cork Street W1 until December 23, in association with Julian Hartnoll.

Theatre/Alastair Macaulay

Raising Fires

It ill behoves me to speak ill of a play that concerns farming folk near Manningtree, since the folk I myself come from are all farmers near Manningtree and since they present a valuable contrast to the popular conception of "Essex person". Indeed, *Raising Fires*, a new play by Jenny McLeod, is also about rural arson, and in my time I have stood by flaming strawstacks ignited by arsonists.

But *Raising Fires* is not the play to raise Manningtree-consciousness. It is merely a muddled melodrama, and dismally close to mimicking the bygone witch-hunting depicted in Arthur Miller's *The Crucible*. Set in Elizabethan times (Manningtree is mentioned in Shakespeare), it shows how young Marshall Loder has married one woman, Ruth, to advance his own political career, though having made another girl, Tilda Hubbie, pregnant; and it then shows how the women of the community make Tilda out to be the witching culprit of the mysterious local fires. The twist is that Tilda is black.

Tilda is conceived entirely as a p.c. victim – female, black, innocent, loveable, maligned. ("The first thing I remember is other people.") Men have used her for their various purposes all along (Minister Hubbie in adopting her, his son Daniel and Marshall Loder in making love to her); and now women pick on her too. "Women look, men touch," she says. But it is peculiar how long we wait until Tilda's colour is properly mentioned (nor is it ever seriously discussed); and yet that, in a trice, becomes the reason why she s picked on as a witch.

The thumbscrews are tightened when Ruth Loder, aware that her husband has impregnated Tilda, bitterly testifies that Tilda is both witch and arsonist. Marshall Loder, a standard male hypocrite who wants political advancemant through his wife's father *and* sex with Tilda, vacillates. What will he do? Actually, it doesn't matter, for he proves as helpless in the face of mob hysteria as Tilda. Tilda is packed off to her death. Someone ends by saying "God – – we -will answer for this." A more serious play might have *shown* them answering for it, or might have made Marshall Loder's dilemma more interesting (by making him a more interesting character), or might not kept its focus more thoroughly on Minister Hubbie (who promises damnation or paradise for the pettiest sins or virtues, but who has kept Tilda irresponsibly passive).

But everything here is clumsy. The language commutes wretchedly between mock-period ("At such a sight the sickness inside me was so great", "Four babies I had in my arms") and naturalistic modernity ("This is not what I need", "I say 'Bugger the father'"). The conflict between Minister Hubbie and Judge Fury suggests a church v. law conflict that is inadequately investigated. The roles that Daniel Hubbie and Grace Turvey play in the offstage action are insufficiently clear. And the names! Hubbie this, Wife that; Grace here, Fury there. I cannot imagine why this play won a 1993 London Weekend Television Plays on Stage Award.

Dominic Dromgoole, directing, keeps it lively, but he cannot provide depth. The same goes for his cast, which includes Robin Soans as Minister Hubbie, Julia Saunders as Tilda, and Gary Love as Marshall Loder. And there is too much unnecessary shouting. In pub theatres, making the actors turn up their volume controls is the easiest way to achieve intensity, but also the cheapest.

At the Bush Theatre, W.6.

Opera/Roderic Dunnett

The Spanish Lady

When Elgar died in 1934, one of the three major unfinished projects he left was an opera, *The Spanish Lady*. Is it salvageable? Arguably not. The surviving material is extensive but fragmentary, and almost beyond repair. But both Cambridge University Opera Club, and Dr Percy Young, to whose devoted scholarship we know as much as we do, are to be congratulated on baving a crack at it. *The Spanish Lady* was staged last week as part of the enterprising Cambridge Elgar Festival.

The story is broadly based on Ben Jonson's play *The Devil is an Ass*, on to which Elgar grafted texts from other sources, including Jonson's *The Epicoene* (on which Strauss was already working independently for *Die Schweigsame Frau*). Elgar's text is not merely eclectic, but botterfly-like: part-masque, part Restoration comedy, mainly morality *d la Volpone* (with a satirical bite rather lost here in performance).

This first full staging, in Young's conjectural completion, made for a mixed evening. What was badly needed was the kind of coherent, taut direction Josepb Ward brought to the Royal Northern College's *Pilgrim's Progress*. There not a flinch or quiver was wasted. Here, Adrian Osmond (Trinity), unhelped by tha cramping of on-stage orchestra and the set that gave none of the intended sense of place, failed really to surmount any of the inherent problems.

Most first-half stage entries and exits were loose, at worst abysmal. Over-fussy or random crowd activity muddied too many focal moments. Principals projected insufficiently, so that the intricate plot became further confounded. Character definition was weak, with the exception of Leigh Melrose's Meercraft and Keith Perry's foppish Manly, both admirably sung. The devilry of Pug (Susie Trayling) soon lost its initial promise. Even a memorably funny drag entry by Christopher Genz (Wittipol) as the Spanish instructress was blurred by poor blocking. Blake Applegate supplied the tidiest cameo as Engine, doubling as the dnenna.

And Elgar's music? Young's orchestral completion turned out attractive, but markedly "safe". Too often, the music seemed to bare scant relation to what was happening on stage. More risks needed to be taken. But where a salient feature appeared, such as the brief prominence awarded to paired clarinets and bassoon near the end, a momentary magic was unfurled.

Conductor William Lacey (Kings) gave consistently clear leads, surviving one nervous Act II moment in the upper strings but engendering soma needlessly awkward pauses that detracted from overall pace. His besetting fault was a monotonous dynamic, frozen between *forte* and *mezzo-forte*. (The leisurely Handelian pacings best in the stately *Sarabande*) often verged on the bland: the poise of a Lully or Rameau would have been a welcome relief.

The choreographer, Darren Royston, seemed alone in sensing this: his dances (with chief accolade, undeniably, to the boys) were charming, lucid and inventive.

Performance sponsored by Warren Insulation.

Van Dam, Levine and the Philharmonia

Opportunities of hearing the great baritone José van Dam in London are so rare that even the turgid account of Brahms's *Ein Deutsches Requiem* at the Royal Festival Hall on Saturday was worth catching for his performance. Ven Dam – undervalued, it seems, by Covent Garden – ought to be a regular visitor here, but at least he made a brief appearance with James Levine and the Philharmonia Orchestra, bringing a few minutes of musical sanity to an otherwise largely self-indulgent reading.

Van Dam is one of the most musicianly of singers around today, and ha gave Brahms's vocal lines sculpted nobility. His contribution, and that of Barbara Bonney, the radiant soprano soloist, contrasted *starkly* with Levine's bloated conception of the piece. Levine, chief of New York's Metropolitan Opera, is the conductor who broke almost all records by *adding* an *hour* onto the length of the *Ring* at Bayreuth this year, and here his Brahms was similarly distorted.

The majestic funeral march of the second movement lacked muscular tautness, and seemed more like a musical picture of the throbbing engines on a slowly cruising ocean liner. The strong singing of tha Philharmonia Chorus was undermined at every turn by Levine's square conducting, the fugal passages in particular emerging as ponderous exercises in counterpoint. Fortissimos were all equally, unrelentingly heavy.

The concert was certainly a starry one: the soloist in Beethoven's *Emperor* Concerto before interval had been the young Yevgeny Kissin, perhaps the outstanding pianist of his generation and one already tipped to inherit the mantle of the Russian keyboard giants before him.

His playing had all the stature – power and poetry in equal measure – that suggests, but Levine drained the music of dramatic vigour. This was a well-upholstered performance in the grand manner one had thought extinct, and would have appealed only to those who hanker after Karajan at his most portentous.

John Allison

Recital/John Allison

Arkhipova and her protégé

Last Thursday was Russian Opera Night in London: while the new production of *Khovanshchina* unfolded at the Coliseum, the great Russian mezzo Irina Arkhipova was holding her Wigmore Hall audience spellbound in a programme devoted mainly to Rimsky-Korsakov songs.

Arkhipova, doyenne of Russian singers, is nearing the end of a performing career that has taken her throughout the world and made her a heroine in her homeland, and Thursday's recital, latest offering in the Kirov-Maryinsky Series, may well turn out to have been her final appearance on the London platform. She was in remarkably good vocal shape: though sbe of course no longer commands the powers of her prime, every phrase was sung with warmth and dramatic intensity.

Arkhipova's programme was also an imaginative contribution to the 150th anniversary this year of Rimsky-Korsakov's birth. The composer's *80-or-so songs* are scandalously undervalued, far more neglected even than those of Tchaikovsky or Rakhmaninov, and they form an equally rich body of literature. Spanning most of Rimsky's career, the songs reflect his stylistic attachments and – like artists' sketches to finished paintings – contain the essence of ideas developed in the operas. Above all, with texts drawn from writers including Pushkin, Lermontov and Alexis Tolstoy, many of Rimsky's songs are musico-poetic gems.

We heard 17 of them, and Arkhipova's performances made clear their range of expression. With rich tone flowing effortlessly, the mezzo sounded in "Not a sound from the sea" like the proverbial voice of Mother Russia.

Arkhipova traversed a range of feeling, from the melancbolia of the "Hebrew Song" and sultriness of "Southern Night" to the gentle simplicity of "Quietly evening falls" and bursting happiness of "The lark sings louder". One savoured each equally, yet the exquisite "The clouds begin to scatter" was a highlight of the evening. Ivari Ilya provided masterfully characterised accompaniments.

The programme's scope was widened to include music by two of Rimsky's colleagues, Mussorgsky and Borodin, and to allow Arkhipova to introduce one of ber protégés, the Bashkirian bass Askar Abdrasakov. Together they sang the duet for Marfa (one of the mezzo's most celebrated roles) and Dosifey from *Khovanshchina*, before the spotlight was turned on Abdrasakov in his imposing performances of the Trepak from *Songs and Dances of Death*, Konchak's aria (Prince *Igor*) and the Viking Guest's song (Sadko).

All revealed an instrument – dark, full-toned and focused – of astonishing maturity for a singer so young. Abdrasakov is undoubtedly a name to watch, and his presence bere was an indication of Arkhipova's generosity and dedication to the future of her art.

The Maryinsky-Kirov Series is supported by the Regent Hotel (London) and British Airways (St Petersburg).

INTERNATIONAL ARTS GUIDE

■ BRUSSELS

GALLERIES
Musée d'Ixelles Tel: (02) 511 90 84
● Gainsborough to Ruskin: British landscape drawings and watercolours from the *Morgan* Library in New York. Includes paintings by Constable, Turner and other 18th and 19th century artists; to Jan 15 (Not Mon)

■ PARIS

GALLERIES
Louvre Tel: (1) 42 60 39 26
● British Art in French Public Collections: paintings by Gainsborough, Reynolds, Constable, Lawrence and Turner. Closed Tue.; to Dec 19
Musée d'Orsay Tel: (1) 45 49 11 11
● Forgotten Treasures from Cairo: a rich collection of works by Ingres, Courbet, Monet, Rodin, Gauguin and others; to Jan 9 (Not Mon)
OPERA/BALLET
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● La Dame de Pique: opera by Tchaikovsky. Director Valery Gergiev at 7.30 pm; Dec 1, 2
● La Khovanschina: opera by Mussorgsky at 7.30 pm; Nov 29, 30; Dec 3, 4
● Sadko: Rimsky-Korsakov opera. Musical director Valery Gergiev at 7.30 pm; Dec 6

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel:(030)3 41 92 49
● Dialogues des Carmélites: by Poulenc, In three parts. A new production directed by Günter Krämer. Conductor Jiři Kout at 7.30 pm; Nov 29; Dec 1
● The Magic Flute: by Mozart. Conductor Foster/Lang-Lessing/Soltesz, production by Guñter Krämer at 7 pm; Nov 30

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Bemard Haitink conducts the Royal Concertgebouw Orchestra, with soprano Karen Huffstodt, mezzosoprano Hanna Schwarz, and baritone Csaba Airizer to perform Schoenberg and Bartók at 8.15 pm; Dec 1, 2
● Moscow Philharmonic Orchestra: conducted by Vassili Sinaiski play Beethoven and Mussorgsky at 8.15 pm; Dec 6
Het Muziektheater Tel:(020)551 89 22
● Die Fledermaus: by Strauss. Conductor, Ralf Weikert, production by Johannes Schaaf at 8 pm; Dec 6
GALLERIES
Rijksmuseum Tel: 020 673 21 21
● Art of Devotion 1300-1500: major winter exhibition focusing on the spiritual function of objects in tha medieval period; to Feb 26 (Not Sun)

■ LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● Gala Concert: London Symphony Orchestra with mezzo-soprano Marilyn Horne and conducted by Marvin Hamlisch. Includes Hamlisch's, 'The Anatomy of Peace' at 7.30 pm; Dec 1
● Grand Operatic Evening: National Symphony Orchestra with soprano Susan McCulloch under the direction of Martin Merry perform a variety of operatic pieces at 7.30 pm; Dec 3
Festival Hall Tel: (071) 928 8800
● Philharmonia Orchestra: with conductor Charles Dutoit and pianist Peter Jablonski play Tchaikovsky (piano concerto No. 2) and Shostakovich (symphony No.5) at 7.30 pm; Dec 6
Queen Elizabeth Hall Tel: (071) 928 8800
● The Fall of Icarus: Multi-media event inspired by Bruegel's, 'Landscape with Fall of Icarus'. Belgian director Frédéric Flamand collaborates with Italian artist Fabrizio Plessi and composer Michael Nyman at 7.45 pm; Dec 2, 3
GALLERIES
Barbican Tel: (071) 638 8891
● A Bitter Truth: a multi-media exploration of changes in attitudes towards World War 1 throughout its duration; to Dec 11
Royal Academy Tel:(071) 439 7438
● The Glory of Venice: a major survey of Venetian art in tha 18th century; to Dec 14
OPERA/BALLET
English National Opera Tel: (071) 632 8300
● Ariadne on Naxos: by Strauss. A Graham Vick production at 7.30 pm; Dec 1
● Khovanshchina: new production of Mussorgsky'a opera. Director Francesca Zambello at 6.30 pm; Nov 30; Dec 3, 6
● The Magic Flute: by Mozart. Originally produced by Nicolas Hytner, John Abulafia directs this revival with conductor Alex Ingram at 7.30 pm; Nov 29; Dec 2
Royal Opera House Tel: 071 240 1200
● An Ashton Celebration: The Royal Ballet Company pays tribute to its founder choreographer, who would hava been 90 this year, with a short festival of his work consisting of 12 ballets and divertissements. Performance includes a new production of Daphnis and Chloë by Ravel at 7.30 pm; Nov 30
● La Traviata: by Verdi. A new production by Richard Eyre. Georg Solti conducts for the first five performances, then Phillipe Auguin. In Italian with English surtitles at 7.30 pm; Nov 29; Dec 2, 5
● Mixed Programme: includes Fearful Symmetries choreographed by Ashley Page, and Symphony in C by Bizet, choreographed by George Balanchine at 7.30 pm; Dec 1, 8
● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Bjomson at 7.30 pm; Dec 3 (2 pm)
THEATRE
Barbican Tel: (071) 638 8891
● New England: World premiere of Richard Nelson's new play. No performance 12-15th Dec., otherwise at 7.15 pm; from Nov 29 to Dec 29 (Not Sun)
National, Lyttelton Tel: (071) 928 2252
● Out of a House Walked a Man: by Daniil Kharms. A Royal National Theatre and Theatre da Complicite co-production of a collection of musical scenes by the *Russian* absurdist writer at 7.30 pm; Dec 1 (7 pm), 2, 3 (2.15 pm), 5
National, Olivier Tel:(071)928 2252
● The Devil's Disciple: play by Bernard Shaw, directed by Christopher Morahan. Sat and Tues mat at 2.00 pm; to Nov 30 (Not Sun)
Wyndhams Tel: (071) 369 1736
● Three Tall Women: by Edward Albee, directed by Anthony Page. With Maggie Smith, Frances da la Tour and Anastasia Hille at 8 pm; (Not Sun)

■ NEW YORK

GALLERIES
Metropolitan
● Origins of Impressionism: 175 paintings by Parisian artists of the 1860's; to Jan 8 (Not Mon)
Museum of Modern Art Tel: (212) 708 9480
● A Century of Artists' Books: Exhibition of 140 books from some of this century's foremost artists; to Jan 24
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Don Giovanni: by Mozart, sung in Italian at 8 pm; Dec 2, 6
● Lady Macbeth of Mtsensk: by Shostakovich at 8 pm; Nov 30; Dec 3
● Madama Butterfly: by Puccini at 8 pm; Dec 1, 5
● Rigoletto: Italian opera by Verdi at 8 pm; Nov 29; Dec 3
New York State Theater Tel: (212) 870 5570
● The Nutcracker: by Tchaikovsky, performed by the NY City Ballet. Tue-Thu 8pm. Fri 8 pm. Ring for other times and matinees; from Nov 30 to Dec 31 (Not Mon)
THEATRE
Gershwin Theatre Tel: (212) 307 4100
● Show Boat: by Harold Prince, choreographed by Susan Stroman. Cast includes John McMartin, Elaine Stritch, Rebecca Luker and Mark Jacoby at 8 pm; (Not Mon)
Promenade Theatre Tel: (212) 239 6200
● Three Tall Women: Edward Albee's Pulitzer Prize winning drama about a 92 year old widow contemplating her life. Sun. 3pm, otherwise at 8 pm; (Not Mon)

■ WASHINGTON

CONCERTS
Kennedy Centre Tel: (202) 467 4600
● National Symphony Orchestra: conducted by Eiji Oue play Mahler and Tchaikovsky at 8.30 pm; Dec 1, 2 (1.30 pm) , 3, 6 (7 pm)
GALLERIES
Phillips Collection Tel: (202) 387 2151
● Pictographs of Adolph Gottlieb: exhibition of one of the founding members of the New York School; to Jan 2
OPERA/BALLET
Kennedy Centre Tel: (202) 467 4600
● George Balanchine Series: final of a three part exploration into the work of the choreographer. Led by prima ballerina Suzanne Farrell at 6.30 pm; Dec 1

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NBC/Super Channel: FT Reports 1230.

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WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

THE FT INTERVIEW: Jacques Toubon

Mind your language

"My great desire is *not* to prevent the French from speaking whatever language they like," says the man whose name, Jacques Tonbon, will for ever be attached to the law of August 4 1994, regulating the use of the French language.

"What I want is to make it just as modern, just as – dare I say it? – 'fashionable' to speak French as to speak English."

Had the minister of culture and "francophonie", now known to many of his compatriots as "Jack Allgood", just broken his own law by using an English word while speaking in his official capacity and on public premises? That would be for the courts to decide, if anyone prosecutes.

The official glossary of French words which Mr Toubon wanted to append to his law was struck out by the Conatitutional Council as an infringement of the "free communication of thought and of opinion" proclaimed by the Declaration of the Rights of Man in 1789. This means that "you can still oblige people to speak French, but they can speak whatever French they like – which obviously leaves it to the courts to decide, in the last resort, what is French."

Mr Toubon is a close ally of Mr Jacques Chirac, the Gaullist mayor of Paris, former prime minister and now for the third time presidential candidate. But he insists his language policy is part of a general strategy adopted by the Balladur government, aimed both at developing French culture abroad and at strengthening the links within the French-speaking world, of which the most important is of course the language itself.

Indeed, be claims the loudest demand for action to defend French in France came from other French-speaking countries, which are anxious to join with France "in proposing an alternative to the Anglo-Saxon model of the universe". And he clearly relisbes the task of defending this alternative in an interview with the Financial Times, a newspaper seen by many French people as heading the Anglo-Saxon invasion of the continent.

"I'm a strong believer in learning foreign languages," Mr Toubon declares. "What I don't want is a language which would be neither a foreign language nor my own. I want French, English, Russian – but as languages, in the plural. I want the English of Shakespeare, not of Microsoft."

His nightmare is that in 50 years France would bave a "tribal" linguistic structure, witb executives speaking English, immigrants speaking their own languages, ordinary people speaking "the language of television – 400 words, with every kind of sloppiness", and "in the middle the language of the administration... and perhaps the language of intellectuals and professors".

This, be says, would be "a catastrophe: it would mean that our society, already torn apart by so many other things, would not only tear itself apart but tbe fragments would be incapable of understanding each other".

Mr Toubon brushes aside the argument that language cannot be decided by law. In France, he says, "the state has always had its word to say", ever since the 17tb century when Richelieu instituted the French Academy.

It was in this spirit that he fought his successful hattle last year to keep cultural products, especially film and television, outside the purview of the General Agreement on Trade and Tariffs, preserving France's right to subsidise its film industry and to reserve a part of its air time for European products. In the same spirit he is now engaged in another hattle, aimed at ensuring the European Union as a whole takes advantage of this "cultural exception" and acts to preserve the diversity of European culture.

Largely thanks to French pressure Mr Joao de Deus Pinheiro, EU commissioner for culture, is now bringing forward plans to tighten European broadcasting quotas and to ban advertising on new electronic information services.

Mr Toubon accepts tbat some countries, such as Britain, will cboose not to implement the 1989 "television witbout frontiers" directive, which says that a majority of TV programmes shown in Europe should be European-made. But, he insists, countries such as France whicb do apply the directive must be able to apply it to all TV signals they *receive*, as well as those which they produce.

Otherwise, he says, someone like Mr Ted Turner, the US media magnate, can broadcast from UK territory by satellite "into Europe, including those countries wbich apply the TWF directive, whatever programmes he likes, including 100 per cent American cartoons". France bas banned Mr Turner's products from its cable network, but the legal status of this decision is unclear.

Mr Toubon wants the EU to ban sucb unauthorised cross-frontier broadcasts, and also to extend the directive to cover "new information techniques, namely those which are generally called multimedia". He also wants to expand the EU media programme to give increased EU and national aid to the production, and especially the distribution, of European films "and, by extension, to the films of countries linked to Europe, for instance the southern film industries in Africa, Mexico, Brazil, etc".

His object, he explains, is "to maintain the diversity of film production in the world". He rejects the suggestion that "all you need to do is make films tbat people actually want to see", arguing it is up to states, and by extension the EU, to ensure that people can still enjoy a real cboice of films and television programmes rather than being limited to ones which reflect "the same model, the same state of mind, the same aesthetic".

In this spirit be wants to negotiate a convention witb other governments to make the mutual recognition of high school diplomas conditional on their inclusion of a compulsory second foreign language, alongside the inevitable Englisb. Obviously he hopes that in many non-French-speaking countries Frencb would be the most popular cboice, but be suggests that Spanish and German also have much to gain.

Mr Toubon hopes to enlist the support of the German presidency for these ideas during the Franco-German summit in Bonn today and tomorrow, wbich he will attend. After that he plans to use the Frencb presidency to pusb them forward early next year, leaving his fellow-Latins from Spain and Italy to finish the job. He knows he has a fight on his hands with the UK government, but claims to have heard that even British delegates in Brussels are now adopting "more conciliatory" positions.

Edward Mortimer and David Buchan

Toubon: 'I'm a strong believer in learning foreign languages.'

Joe Rogaly

Life raft for parties

A referendum on Britain's continued membership of the European Union will be promised by all three national political parties at the next general election. Sure it will. Their respective leaders might deny any such intention, for the "in or out" question has not been tabled by any of them, not in so many words. It need not be. Circumstances will decide that. The Maastricbt treaty allowed specific opt-outs for Britain (and indeed Denmark), but there is no guarantee that such jiggery-pokery will be possible when – if – there is a Maastricht II. If the rest of tbe EU moves towards further integration and Britain stands back, that will he as good as an "out" vote. It would certainly be seen as such during the campaign.

Support for a plebiscite based on an overtly more innocuous question than "stay or go" is accumulating. The latest platoon to arrive was beralded in an interview with Sir James Goldsmith on *BBC Breakfast with Frost* on Sunday. Sir James offered to fund a new Britisb political party "the purpose of which is only one item, to have a referendum". Our European Perotista need have no fear. He will not be called upon to lavish millions on a lost cause, as was Mr Ross Perot in the 1992 US presidential election. He should not go to the trouble of writing a cheque to a 30-day-wonder party that does not yet exist. He may not be a serious political figure, but he will bave his referendum, gratis.

We can count the reasons on three fingers. The Liberal Democrats have promised to consult the people if the intergovernmental conference of 1996 agrees on significant changes to the constitution of the EU. The Labour party has formally left the matter open, but its leader has placed himself in a position to promise a popular vote in much the same circumstances. This would not be expediency, you understand. It would be an expression of democracy, a means of educating the British about where their government is taking them. Meanwhile the Conservatives have moved from the prime minister's original flat rejection of extra-parliamentary decision-making towards Mr Douglas Hurd's expedient "never say never" of recent days.

Goodness me. What tricks the mind does play. Two long years ago, during the tense summer when the passage of the bill to ratify the Maastricht treaty seemed to be in question, the proposition was put, here as elsewhere, that a promise of a referendum on melding sterling into a single European currency would not only be constitutionally correct, it might even reunite the Conservatives. *Did I see the foreign secretary slipping that card up his sleeve, mumbling the while that he would note its usefulness? Surely not. It must be my fevered imagination.*

Let us move away from such phantasmagoria. It has been objected that a vote on the single currency would destabilise the currency markets for the duration of the campaign. The value of the pound would fluctuate. Titch. Sterling moves every which way, every day. Contemporary markets are destabilised by everything and anything. They were pretty jumpy over the "join or not" question recently posed in Finland, Austria, Sweden and, on Sunday and Monday, Norway. The planet survived.

Without such a popular vote the British polity might not survive – not if our Parliament, from which we feel ever more remote, took us into a single European currency before first asking our permission. As matters stand, the EU is a club in which its members, all sovereign states, sit in constant negotiating session. It has the characteristics of a Gaullist union of nations rather than those of a sapling superstate. Create a single currency and the balance tips sharply the other way. That would be a constitutional leap in the dark for everyone. It is not only the British people who would demand a referendum first.

It might be necessary to hold two referendums about a single European currency, the first to say no, the second, yes

The trouble with "do you want to defend the pound?" is that most people's emotional response would be that they do. Believe me, Britain will eventually join a European currency, if there is one. Business will see to that. But it *might be necessary to hold* two referendums about it, the first to say no, the second, yes. Like the business community, the mainstream political establishment knows it can more easily win the overarching "stay or go" type of question, as it has everywhere in western Europe nearly every time it has been put. When the Danes made the mistake of voting no, they were asked again. This type of question is the "rubber life raft into which we may all have to climb", as the then Mr James Callaghan remarked when what became the British plebiscite of 1975 was first discussed.

Use of this life-saving dinghy is increasing everywhere, we are informed by *Referendums around the world*, an invaluable reference work published by Macmillan and edited by David Butler and Austin Ranney. Referendums facilitated the overthrow of autocratic regimes in Chile and South Africa. In New Zealand, Ireland and Italy, the voters chose electoral systems that the political leaders of the time asked them to reject. In the US, statewide voter initiatives are becoming as commonplace as national referendums have long been in Switzerland. For the most part electorates are pretty conservative. They tend to go with the established consensus, usually by a decisive majority. That is why Britain voted two to one for membership of the then Common Market in 1975.

Whatever type of question is chosen, a referendum on Europe in 1996 might split the Conservative party. Well, yes, in a way, sort of. You cannot properly divide what is already in smithereens. True, a promise of a popular consultation might not heal the wounds evident in yesterday's debate on Britain's contribution to the EU budget. Mr Kenneth Clarke, the chancellor, mercilessly thumped the sceptics behind him, leaving none unbruised. But we are talking of a mere handful of Tory bitter-enders here. Surely most of the party would come together on a promise to consult the people. As in 1975, cabinet solidarity might have to be suspended so that ministers could campaign on opposite sides. So what? They do that, covertly, now.

In sum, a properly managed referendum is a useful, if risky, last-ditch device for getting parties out of trouble and persuading us to vote the way the elite of the day thinks best. My case rests.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Bribery law change in EU would remove blight on business

From Mr Peter Eigen.

Sir, Andrew Taylor writes of the European Commission's raft of court actions to outlaw unfair practices in the awarding of public sector contracts within the European Union ("Brussels gets tough on public contracts", November 23).

Admirable though these moves are they overlook one particular anomaly: it is against the law if you hribe an official in your own country, but not if you do it in your next-door-neighbour's. And you may or may not get a tax break for the bribe you pay to an official in your own country, but you probably will do so if you pay it to an official in another. Ethics apart, this must surely be a wholly unacceptable states of affairs.

The EU would do wall to implement the OECD recommendations of May 1994 and criminalise foreign corrupt payments and tax deductibility for illicit payments, at least as between the member countries of the Union.

Tben, companies across Europe could compete with each other on equal terms, and without those who bid on their home turf having to comply with norms from which others are exempted.

Sucb a move would, at a stroka, harmonise the legal framework in these respects across the EU. Just as important, it would create an opportunity for developing countries to be judged by the same rules, if they so chose.

It would therefore represent a significant step towards tackling, in a positive way, one of the greatest blights on business of contemporary times.

Peter Eigen,
chairman,
Transparency International,
Hardenbergplatz 2,
D-10623
Berlin,
Germany

Universal private pension plan has *powerful support*

From Frank Field MP,

Sir, You report ("Pensions body wants saving to be compulsory", November 18) the support the National Association of Pension Funds has given to a reform which Mathew Owen and I proposed 18 months ago (*Private Pensions for All*, Fabian Society). The initial reaction to the idea of instigating universal private pension provision was met by two substantial criticisms.

Those politicians who ideologically opposed the idea never answered the question we posed. Large numbers of people are in private schemes. How then can we equalise opportunities? The only sensible way forward is to have universal private provision, and the only way to do this is through a compulsory scheme. We are pleased that this approach has been backed by the Social Justice Commission.

Some members of tha National Association of Pension Funds made practical criticisms. Our 10 per cent combined contribution was too low for adequate pensions. We therefore prnposed that amployers and employees should contribute 18 per cent of the salary hill. Now the NAPF has backed our original figure. Why?

To what extent is tha NAPF's decision a soft-sell approach to employers, or a belief that a voluntary top-up would naturally occur? What range of pensions would be produced from these savings running alongside the state scheme?

Barry Riley highlights ("Waking up to the pension scheme threats", November 23) concern about the underfunding of pension schemes. We have tried to cover this point too. Taking Joel Joffe's idea for a new savings scheme, we suggested it should be made universal by establishing a National Pensions Saving Scheme. This would be separate from the state, would form a new kind of collective action, and would allow savers to own their own savings.

Our suggested reform could not lead to underfunding as in final salary schemes. In addition, mobile employees would gain a level playing field, knowing in advance the minimum pension contributions they would be expected to make and would not, as many of them now do, enter detailed negotiations to see whether the pension scheme of the company they hoped to join might produce pension benefits equal to their current scheme.

Support for the idea of universal private pension provision to run alongside the state scheme, and to make contributions to both schemes compulsory, has won powerful allies over the past year. But the debate is not an academic exercise. I hope that before the next year is out your columns will be reporting that both Labour and the Liberal Democrats are backing this proposal. Voters will then have a clear choice on reforming one of the big areas of welfare reform at the next election.

Frank Field,
House of Commons,
London SW1A 0AA.

BT free to choose on fibre

From Mr Ian Wheeler.

Sir, Regarding BT's exclusion from entertainment services and the superhighway, I have yet to read such an ill-informed debate as has raged over this particular technology in your pages and elsewhere.

Fibre cables are cheap, passive and they deliver unlimited "band width" – the measure of capacity for signals. The cost and speed of laying a fibre network is dominated not by the electronics connected at either end, nor the fibre itself, but by the construction of the underground ducting in which they lie.

An entirely new network of ducts is being installed in the UK by the new "local delivery" franchisees. These ducts bring a fibre to within 600m of every residential bome. Nowhere else in the world, to my knowledge, are fibre networks being created at this proximity to the customer, even in the birthplace of the "superhighway", the US.

BT does not have to dig. It inherited ita ducts free of charge. BT does not need a law or permission to install fibre into its ducts. BT has the free choice to bring fibre to within 600m of eacb home and whether to connect its new fibres to you or me.

As an aside, BT is the local delivery franchisee for the City of Westminster. It operates a fibre-based entertainment network. In this franchise fibres were laid in existing BT ducts several years ago.

Strangely, in the City of Westminster residential customers have a single source of telephone line connection, guess who? Well, it owns the ducts, doesn't it?

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Who's really in charge?

From Dr J H Mulvey.

Sir, According to Robert Peston ("Treasury drops dividends probe after pressure", November 24), quoting a "senior government official", the Treasury's inquiry initiated by financial secretary Stephen Dorrell last year into whether high dividend payments were responsible for inadequate investment has been abandoned. The government official revealed that "it became too much of a hot potato after Lord Hanson attacked the review".

Can we be told who is the real First Lord of the Treasury, John Major or Lord Hanson?

J H Mulvey,
executive secretary,
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UK arms exports at odds with 'good governance' objectives

From Mr Tony German.

Sir, The debate about entanglement between arms and aid has to date missed an important point.

Some policy makers and opinion formers aeem to be assuming that, as long as there are no more explicit linka between aid and arms exports, government policy is quite coherent. But last year, along with other OECD donors, Britain approved a set of policy orientations which, inter alia, urged donors to examine contradictions between their aid and development co-operation objectives and other external policies, "including the promotion of exports of arms".

The UK has been in the forefront of promoting "good governance", urging developing countries to reduce military expenditure. What steps has the government taken to scale down Britain's role as a leading arms exporter, in a way that will minimise the negative impact on exports and jobs?

The foreign secretary's assurances that arms and aid have not been linked during his term of office is welcome. The next step should be for the government to make clear bow, both domestically and multilaterally, it plans to address the gulf between the "good governance" aspect of foreign policy and Britain's continued promotion of arms in developing countries.

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Tuesday November 29 1994

Save the alliance

The international community could not save Yugoslavia, and it has failed to save Bosnia. That failure has hovered like an evil fairy over the cradle of the European Union. Along with the parallel failure in Somalia, it has blighted efforts to make a revived United Nations the centre of a new world order. And it now seems to threaten a death blow to the ageing Atlantic alliance.

It is too late to save Bosnia as an effective country in its original frontiers. But Nato might still be saved – though it is desperately vulnerable – and it is worth saving.

Nato is vulnerable because, with the demise of the Soviet threat, it has come to be seen as a luxury rather than a necessity by many people on both sides of the ocean. That may not be such a bad thing if it leads Europeans to take Nato less for granted than they did in the past, and so to think more seriously about what they themselves can and should do to ensure their own security. But it would be no less criminally irresponsible for Europeans to imagine that they can easily do that without any assistance or co-operation from the US, than it is for them to assume that such assistance will always and inevitably be forthcoming.

That is why the alliance is worth saving, even at the cost of some national pride and self-righteousness. No major power, after all, has any right to feel proud or self-righteous about the situation in Bosnia. Britain and France are much given to reminding the world that they, unlike the US, have troops on the ground. But the events of the last week have cruelly demonstrated, once again, that those troops are deployed not as an instrument of policy but as a substitute for one.

Sorry mix

The US is equally prone to accuse the Europeans of betraying the Bosnian government and appeasing the Serbs. But it has never shown convincingly that it was able or willing to help the Bosnian government redress the imbalance of forces on the ground. US policy, like European policy, has been a sorry mix of indecision, rhetoric and gesture.

Senator Robert Dole, to whose words the mid-term elections have given an authority equal to, if not greater than, that of President Clinton himself, has now called for the withdrawal of the UN protection force (Unprofor), arguing that its presence serves merely as a pretext for Britain and France to oppose any effective Nato intervention from the air. Those powers, and other troop contributors, will be sorely tempted to take him at his word.

Undeserved blame

The troops, whose mandate contains almost as many contradictions as it does Security Council resolutions, are getting a great deal of undeserved blame for not carrying out a task for which they are not equipped, namely holding back the Serb offensives and counter-offensives. They are certainly not saving Bosnia. They are saving an unknown number of individual Bosnian lives, but possibly at the cost of others if you believe (as many do) that their presence prolongs the war.

It is never the right time to pull the troops out. Their departure could easily provoke a resumption of fighting throughout Bosnia and even beyond – though there is no guarantee that this will not happen anyway. It may also be violently opposed by one or more parties to the conflict. And it could easily be accompanied by even more bitter mutual accusations across the Atlantic than we have already heard. Those are all strong arguments against withdrawal now – except that the difficulties are likely to get greater rather than less if more time is left to elapse.

Only the risk of jeopardising a real hope of peace would be a convincing argument for keeping Unprofor in place. And the only ground on which such hope can now be based is the acceptance of the Contact Group partition plan by both the Bosnian and Serbian governments, and the pressure exerted by Serbia on the Bosnian Serbs to do likewise. If this pressure is not seen to bear fruit within days, or at most weeks, the Serbs and their Russian protectors must understand that removing Unprofor and lifting the arms embargo will become unavoidable for the west irrespective of its effect on Bosnia, because it will be the only way to save the Atlantic alliance.

All change in Whitehall

Although often disparaged at home for its unashamed elitism, Britain's civil service used to be the envy of the democratic world. It now faces an uncertain future, and could be seriously weakened if the government fails to tackle problems created by a decade of rapid structural and cultural change in Whitehall.

In a report published last week, the all-party Treasury and Civil Service committee of the House of Commons questioned the adequacy of existing mechanisms for upholding the ethical standards of the civil service. The committee recommended a statutory code of ethics setting out the duties of civil servants and the responsibilities of ministers.

It also called for a reformed Civil Service Commission with members drawn largely from outside Whitehall; and for reforms in the relationship between parliament and the semi-autonomous "next steps" agencies which over the past five years have taken over most of Whitehall's service-delivery responsibilities.

These proposals are timely and should be implemented. The committee cited Gladstone's dictum that the British constitution "presumes more boldly than any other the good faith of those who work it". Recent events, notably the admission by civil servants to the "arms for Iraq" inquiry that they drafted inaccurate replies for ministers, have brought that good faith into question, and support the case for a code of ethics.

The case is made well-nigh imperative by the impact of 15 years of one-party rule. When parties alternate regularly in power, permanent officials have a strong incentive not to mistake party convenience for the national interest. They are under far less pressure to separate the two when serving one set of political masters for a protracted period.

Ministerial accountability

The doctrine of ministerial accountability also needs be modernised to reflect new realities. It is a nonsense to pretend that ministers can be properly accountable to parliament for the work of executive agencies for which they have no operational responsibility. As the committee notes, the government's attempt to draw a distinction between accountability, which cannot be delegated by ministers, and responsibility, which can, is "unconvincing".

Chief executives of agencies should be directly and personally accountable to select committees of the Commons for the implementation of their annual performance agreements. It might be advisable to go further still and give select committees a role in the appointment of agency chief executives and other senior members of quangos. Such a step could underpin the political impartiality of senior officials in agencies and quangos, and do something to redress the unhealthy domination of government over parliament which is a prime cause of much existing unease.

Contradictory signals

However, current Whitehall reforms beg two larger issues. Is the government committed to the continuation of the career civil service? If not, how does it intend to ensure that the senior civil service is schooled in the standards and ethics which today's officials mostly accept from long training?

Ministers are sending out contradictory signals in response to the first question. On the one hand, they pay lip service to open competition for top jobs, and are pressing forward with "market testing" and cuts in the number of senior officials; on the other hand, they appear reluctant to advertise many top jobs outside Whitehall, let alone to adopt the New Zealand practice of short-term contracts for senior officials inside mainstream departments.

Ministers must make their intentions clear. The official-for-life mentality of most civil servants has hitherto provided a critical underpinning for the ethics and political neutrality of Whitehall. It has also limited – although not banished – the "revolving door" problem of officials anxiously seeking outside jobs.

If Whitehall is, by contrast, to provide short career stops for an elite of high-flyers who commute between the public and private sectors, then far more attention will have to paid to questions of recruitment, pay and conflicts of interest. A statutory code of ethics would only be a first step towards reform.

All for a share in democracy

Political uncertainty in Italy is not expected to halt the country's privatisation programme, says Andrew Hill

Nobody ever said selling off Italy's sprawling public sector would be easy, and in the past eight months a change of government, political infighting, and stock market fragility have complicated the task.

However, it will be a bitter irony if the latest and most serious government crisis derails the programme, because in the last two months the momentum of the sell-off has picked up again.

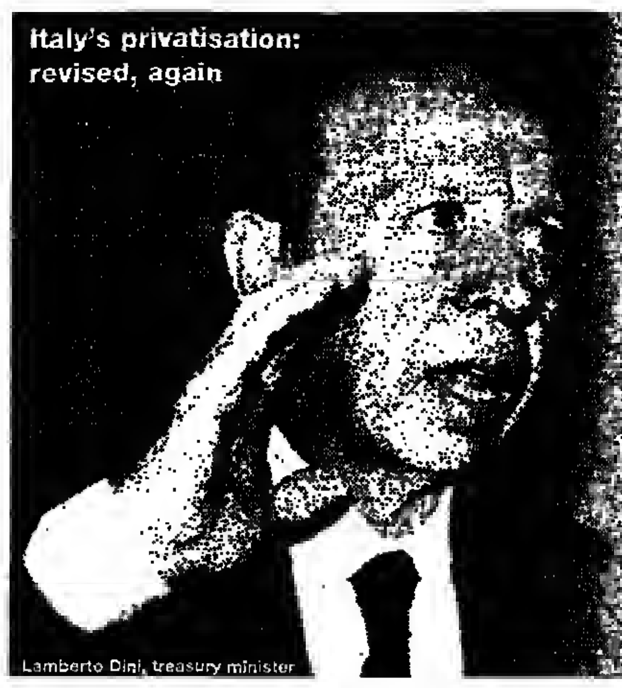
In late September, Mr Silvio Berlusconi, Italy's prime minister, badgered by institutional investors for a firm signal on privatisation, outlined a revised timetable.

The government has since finally found a buyer for the last morsels of SME, the state-owned foods, supermarket and catering group, which has taken nearly two years to dismember and sell. It has also appointed an international adviser for the sale of further shares in Stet, the telecommunications holding company. A committee of the upper house of the Italian parliament last week agreed a framework for independent regulation of privatised Italian utilities. Most importantly, ministers have proposed a two-stage privatisation of Enel, one of the world's biggest electricity companies, from mid-1995.

A simultaneous effort by the government to stimulate demand for shares, by encouraging the establishment of investment funds and pension funds, is raising hopes that the state-sector culture in Italy is changing. "Demand for 'real shares' will come from Italian mutual funds not from small savers," says Mr Gianmario Roveraro, managing director of Akros Finanziaria, a growing financial services group.

One reason for the hiatus in the privatisation programme was the inexperience of the new government. Of the Treasury, Budget and Industry ministers, who are directly responsible for detail of privatisation, only Mr Lamberto Dini, the Treasury minister, was at all familiar with the procedure of committee, cabinet and parliamentary approval. It was he who signed the documents permitting the June privatisation of Ina, the Treasury-owned insurer, the only public offer of state-held shares under the Berlusconi government to date.

The delay was not particularly worrying. Mr Berlusconi's predecessor, Mr Carlo Azeglio Ciampi, was also criticised for failing to implement the July 1992 privatisation decree quickly – until late last year, when he initiated a flurry of share offers in state-controlled banks. Moreover, new ministers had the crucial 1995 budget to worry about, and, as one analyst puts it, "it's better that the big privatisations should be done well, than that they should be done in a hurry".



Lamberto Dini, treasury minister

Public offers

	Date	Stake sold	Amount raised (Lira bn)
Credito Italiano Banking	December 1993	67%	1,900
IMI Banking	January 1994	33%	2,400
Banca Commerciale Italiana Banking	February 1994	54%	2,800
Ina Insurance	June 1994	47%	4,500
Enel Electricity	1995	-	-
Stet Telecommunications	1995	-	-
Eni Energy/chemicals	1995?	-	-

Source: Companies

What unsettled the markets and the managers of state-controlled companies was the way some in the new government put a party political spin on the debate when it came into office in May.

This was partly because new ministers and members of parliament wanted to stamp their mark on privatisation policy, but also because of clear divisions within the coalition. For example, the populist Northern League wanted to see the rapid break-up and sale of state companies, encouraging competition that would benefit private industry and finance in the north of the country. The far-right MSI/National Alliance resisted the rapid break-up of state monopolies, partly, opponents claimed, in order to install its own supporters in board or senior management positions prior to privatisation.

These factions staked out positions at every level of policy, from the debate on regulation or shareholder structure to the choice of banks to co-ordinate the sales.

Top managers in state industry now say they are being left to get on with preparing for privatisation, and advocates of a controlled and politically neutral reduction of the state's presence seem happy again. "At the beginning and in the first months [of this government] there was strong pressure to go back to the old system," says one manager. "All of a sudden, that pressure has faded out."

That may be a sign that disruptive elements in the new government are settling in, or possibly that they are too distracted by crises to worry about shaping privatisation policy to their own ends.

The Treasury and managers of the state-owned companies do not believe current political turmoil will halt the programme. No mainstream party actively opposes privatisation. At issue has been its timing and form. And both the government and IRI, the state holding company that controls Stet, need the proceeds to reduce debt.

But the replacement of key ministers, a change of coalition, or even a general election, could seriously delay the tough timetable set by the current administration. And even if the existing coalition survives, the task is not easy.

For example, although ministers' agreement on a plan for the sale of Enel was hailed as progress, the proposed structure of the group reflects an uneasy compromise between feuding coalition members: the Northern League wanted to break up the company and allow tariffs to vary across the country; and the National Alliance, with the support of Enel management and trade unions, backed an integrated group and single-tariff structure.

Under the government plan, there will be a single tariff. But before launching a first tranche of Enel shares around the middle of next year, the generating activities (accounting for 80 per cent of electricity produced in Italy) will have been hived off into one or more wholly-owned subsidiaries, in preparation for the sale of production capacity within three years.

This formula risks displeasing all. Enel unions staged a one-day strike last week and opponents could delay parliamentary approval of a single authority to regulate the sector, setting back the timetable.

Furthermore, Enel's estimated market capitalisation of L20,000bn-L30,000bn (£11.8bn) would make it one of the largest companies on the Milan stock market, which could mean small investors find it difficult to digest. The other candidates for privatisation next year – Stet, the telecoms holding company, and the Agip/Snam energy activities of the state holding company, Eni – are almost as big. The government also wants to complete privatisation of IMI, the financial services and banking group, and Ina.

The sale of shares in state-controlled banks in late 1993 and early this year went well, but they were already quoted and the market was buoyant. The sale of nearly 50 per cent of Ina, owned by the Treasury, was received less enthusiastically, and post-sale trading was sluggish.

A solution would be to sell thinner slices of Stet and Enel, possibly only 10 per cent. But that would prolong uncertainty for their managements – a particular concern at Stet and Telecom Italia, its operating arm, as they need to give firm guarantees on future ownership to attract international partners.

The second problem with partial privatisation is that it could put a brake on the cultural change that the sell-off was supposed to stimulate. Already the pioneers of shareholder democracy in Italy – small investor associations, employee shareholder groups and their advisers, for example – allege the government has not done its best to release former state companies into the free market.

In the case of Ina, for example, they claim the insurance company's board is still under the control of the Treasury, which appointed 10 of Ina's 13 directors, after privatisation. They also claim that Mediobanca, the Milan merchant bank, has extended its influence over the former state-controlled banks, Banca Commerciale Italiana, and Credito Italiano, to the detriment of small investors.

The Treasury believes it can show its willingness to relinquish control by removing its direct representatives from the boards of former state companies, even partially privatised ones, as it has done at Ina.

But that is unlikely to satisfy the most zealous privatisers. For them, only a convincing attempt to diffuse ownership of Italy's largest companies will do. As one Italian investment banker puts it: "Up to now, Italian industry has been managed by the Agnellis, De Benedettis, and Ferruzzis, and at the end of the day by Mediobanca – plus the state. If you don't have more players, you don't have a shareholder democracy, and that should be the main macroeconomic goal of the privatisation programme."

Bruce Clark argues that the UK could learn from French diplomacy over Bosnia

Diplomatic baggage

Events in Bosnia have brought home how much Britain has to learn from France about foreign policy presentation.

The two countries have almost identical attitudes to the conflict, driven by an almost identical mixture of considerations.

Both countries want to stop the war spreading; to wean the Serbs off chauvinism and reintegrate them into the European mainstream; to avoid looking bad in the eyes of an Islamic world concerned about the fate of the Bosnian Moslems; and to avert a humanitarian catastrophe.

Unlike the US, both London and Paris are more concerned with containing the war than with "punishing the guilty" or imposing a fairer partition.

Both would agree that the status quo in Bosnia gives a disproportionate advantage to the Serbs, but neither believes that imposing justice is worth the tens of thousands of lives – and the breakdown of relations with Russia – that full-blown war against the Serbs could cost.

From an identical mixture of considerations, an almost identical mixture of policies has flowed: the maintenance, as long as possible, of a small peacekeeping force in Bosnia that eases suffering and frustrates – both directly and indirectly – the outbreak of full-scale war; the exercise, by economic and diplomatic but not military means, of pressure on the parties to compromise.

Why, in that case, has Britain become the object of loathing among Bosnian officials and pro-Bosnian US politicians, while France is growing in diplomatic prowess?

Asking this question is not just an exercise in petty cross-Channel bickering. At stake is Britain's long-term diplomatic credibility – its much-vaunted ability to "punch above its weight" in international affairs.

The mayor of Bihac, the Bosnian town beseiged by Serbs, refuses to speak to British reporters. Senator Robert Dole, the new majority leader in the US senate, blames "the British and the French, particularly the British" for the situation in the Bihac enclave.

General Sir Michael Rose, the British commander of UN forces in Bosnia, is a hate-figure for the Bosnian government, while his French boss General Bertrand de Lapresle – whose thinking is virtually identical – is not.

How have the French done it?

The answer, put simply, is that they are far better than Anglo-Saxons at holding two almost irreconcilable positions at once, and also at striking rhetorical poses that bear little relation to reality.

Britain and France have made precisely the same analysis of the situation in Bihac.

As both countries see it, it would be a bad turn of events if the Serbs were to overrun the Bihac enclave. The fact that they may now do so is seen as an undesirable consequence of an ill-judged Bosnian government offensive.

But the consequences of yielding to US demands for an all-out air attack on Serb positions around Bihac are judged even more undesirable in both London and Paris: it was felt there would be too high a chance of hitting the wrong people.

So far, so much Anglo-French consensus. But when it comes to policy presentation, the differences between Gallic flair and Anglo-Saxon phlegm start to show.

France staked out the moral high ground by proclaiming: "Bihac must not be allowed to fall!" Britain was true to its plodding, empirical self by making the – undeniably accurate, but gloomy – observation that Bihac might fall.

If Bihac does now fall, the world will say that it was not for lack of French trying; if that outcome is somehow prevented, Paris will claim a share of the glory.

As for the French penchant for holding two contrasting positions at once, it is demonstrated by Paris's ability to sound both more pro-Serb and pro-Moslem than London.

In September, while British officials were sternly stressing the absolute unchangeability of the existing peace plan for Bosnia, France floated the idea that the Bosnian Serb zone should have confederal relations with Serbia. That idea – heresy at the time – has been resurrected this week.

France has balanced the effect of these pro-Serb statements by making high-sounding commitments to the security of Bosnia's Moslem enclaves, which are music to the ears of Senator Dole.

Mr Alain Juppé, French foreign minister, makes weighty pronouncements such as: "Europe cannot enjoy stability and peace in a context of confrontation with Islam ... What is at stake in Sarajevo is the possibility of an open and tolerant Islam."

With the great sweep of French strategic thinking, he "rejects the inevitability" of division in Europe between the Catholic, Orthodox and Moslem worlds. "France's historical mission, from Richelieu to General de Gaulle, is to reject barriers erected in the heart of the continent," he has proclaimed.

A British minister who said something like that would be lampooned in satirical magazines. But to judge by the success that France's lofty rhetoric seems to enjoy, London ought to be sending its brighter young diplomats off to the *grandes écoles* for a refresher course on Descartes and Voltaire.

OBSERVER

Uneconomic in quotes

■ Without wishing to proffer needless encouragement to garrulous economists on this of all days, now also happens to be open season for the FT's fame ratings – an exercise in its third year which ranks UK economists according to the frequency of their mentions in domestic newspapers over the past 12 months.

Surprise vaulter to pole position for 1994 is last year's number 12, Simon Briscoe, an ex-Treasury number cruncher at S.G. Warburg, whose mastery of the ready quote earns him 221 mentions. He has thrashed – by 70 plus points – the next placed economist, Gavyn "wise man" Davies of Goldman Sachs. Davies, third in 1993 and top the year before, put in a sturdier performance than other members of the chancellor's team of "wise men", with Tim Congdon slipping from first to ninth, Wynne Godley and David Currie – who both leave Clarke's panel at the end of next year – come in at 17th and 35th, down from fifth and 12th respectively.

If the chancellor cared to run the fame metre over prospective new wise men, he would observe the needle flickering above Citibank's Neil Mackinnon, in third place from eighth, and Salomon's Michael Saunders, who climbs up 11 places to sixth. But watch out for HSBC's Ian Shepherdson, who has leapt an unheard-of 23 rungs of the ladder to fourth spot. By contrast, BZW's Derek Scott, the new economic adviser to Labour leader Tony Blair, still seems to be having some difficulty getting his message across. He remains stuck at 48th, albeit one place above Colin Mowl, the Treasury's chief forecaster.

Wisdom check

■ Which still begs the question as to how Kenneth Clarke actually puts to best use the wise men he inherited from his predecessor Norman Lamont.

The six have already been downgraded since the chancellor now only wishes to read two, rather than three, of their reports a year. At the same time, it is their misfortune that their sagacity was sought during a period in which the Treasury's own forecasting record has improved from dismal to not too bad.

Judging by the forecasts issued at Budget time last year, the wise men have not cornered the market in economic wisdom. Cambridge University's Wynne Godley, for instance, was forecasting gross domestic product growth at 1.6 per cent for 1994, against a probable out-turn of 3.5-4 per cent. And Andrew Britton, director of the National Institute of Economic and Social Research, was predicting an inflation rate (minus mortgage interest payments) of 4.5 per cent

'I'm sorry you're being bullied at work'

for the fourth quarter of 1994, when the equivalent figure for the 12 months to October this year was actually a mere 2 per cent.

Meanwhile, Observer's own forecast is that the wise men will, wisely, be increasingly called upon to deliver their wisdom in the form of policy prescriptions rather than hard numbers. Much wiser.

Unsound bite

■ This is the tale that stops the dog wagging. As Observer reported last week, Beijing's city fathers are trying to bring in draconian laws to curb dog-ownership.

But the dogs only have themselves to blame; last year in Beijing alone 52,000 people were bitten. Now The Workers' Daily has reported that in the past six years some 60,000 people have died of rabies throughout China.

This suggests a dog-bites-humans problem on a fairly big scale, but then numbers in China are always mind-stretching. It seems there are more than 100m dogs in China, of which a mere 10m are pets, and the remainder are bred to be eaten. No wonder they want to get their retaliation in first.

Never say neigh

■ Bad news for John Major – facing a possible challenge for the Conservative party leadership tomorrow if disgruntled backbenchers can rustle up signatures from 34 of their colleagues. Sir Anthony Meyer, the indomitable "stalking horse" who challenged Margaret Thatcher in 1989, was spotted celebrating Albanian national day at a swish London hotel yesterday. Questioned on whether he felt up to another tilt, Sir Anthony seemed very keen.

Plagued

■ Already near the top of the list of those whom everyone loves to hate, Britain's fundholding family doctors and their managers can be forgiven for feeling even more unloved after their annual get-together at Stratford-upon-Avon last week.

No politician would come near them. David Blunkett, who had originally been scheduled to deliver the keynote speech, was moved to education in October's shadow cabinet reshuffle, and Margaret Beckett, who took up the health baton, was otherwise engaged. No substitute could be found to detail the party's implacable opposition to the concept of fundholding.

And what of the Conservatives? They too were unable to find a substitute for the originally advertised Clive Froggatt, a Cheltenham GP and early proponent of giving doctors their own budgets. He has other things on his mind nowadays, such as talking to the local constabulary about alleged drugs offences.

Blacked

■ British Coal may be out of business by Christmas Eve but it still seems to have a few scores to settle. Gerard McCloskey, the editor of several Financial Times newsletters on coal, currently engaged in some acrimonious exchanges with RJB Mining, also seems to have upset Neil Clarke, British Coal's outgoing chairman. McCloskey has been dropped from the guest list for British Coal's last Christmas lunch for journalists. Come on lads, isn't it time to bury the hatchet?

FINANCIAL TIMES
Tuesday November 29 1994

Israel condemns move as premature without a peace treaty

EU lifts Syrian arms embargo

By David Gardner and Emma Tucker in Brussels

The European Union is lifting its eight-year embargo on sales of arms to Syria.

The decision, announced by EU foreign ministers when they met a Syrian government delegation in Brussels last night, was immediately condemned by Mr Shimon Peres, Israel's foreign minister.

Mr Peres, also in Brussels, said the embargo should be abandoned only if Syria was willing to negotiate peace with Israel.

"Before the Syrians move, why lift . . . the embargo? Let them move and maybe then there won't be a need for an arms embargo," Mr Peres said. The ban was imposed in 1986 after allegations of Syrian involvement in a thwarted attempt to smuggle explosives on to an El Al airliner.

Other sanctions, such as bans on low-level diplomatic meetings, were gradually lifted between 1987 and 1990, when Syria sided with the West in the Gulf war.

Mr Peres and Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, made some progress yesterday towards resolving differences over the Palestinian peace process.

The two, visiting Brussels on the eve of an international donor conference intended to speed up aid flows to the Palestinian authority in Gaza and Jericho, emphasised that receot violeoce in the Middle East would not be allowed to destroy progress made so far.

"We will make this peace process a success," Mr Peres said. "We will not stop en route."

Neither side was particularly forthcoming on the issues dividing them, including Israeli delays in withdrawing from the West Bank and its actioo in sealing off Israel to Palestinian workers resideot in Gaza, or the delays in holding elections in the Palestinian territories.

Referring to the recent bloody clashes between Islamic fundamentalists on one side and Palestinian police and his own Fatah faction, Mr Arafat said: "I insist on very rapid elections to see who has the support of the people – Hamas or Fatah?" He continued: "In my opinion the Israelis understand our need for a quick election, but at the same time we bave to understand their necessity for security, which is one of their main items."

Mr Arafat said that the most important thing for the Palestinians was that all donors should keep their promises, pointing out that they had so far only received a fraction of the total that had been promised.

EU foreign ministers were last night meeting Mr Farouk al-Shara'a, the Syrian foreign minister, as part of their effort to expedite and widen the Middle East peace process.

There were no signs last night of any direct contact between Mr Peres and Mr al-Shara'a.

Norway seen to vote 'no' in EU poll

Continued from Page 1

persuade the nation that, after the Cold War, Norway must play a full part in Europe's political and economic mainstream.

Although she has staked much of her government's reputation on winning a Yes vote, Mrs Brundtland has said she will not resign if the vote goes against membership.

The Labour government is in a minority in parliament. But the opposition is splintered, with no other party in a position to form a government, and recent opinion polls have shown support for Mrs Brundtland.

The government faces a problem in the event of a narrow Yes victory. The opposition Centre party and Socialist Left party, the leaders of the No campaign, have threatened to block ratification of EU entry in parliament unless a large majority is in favour throughout the country.

Mrs Brundtland suggested she will dissolve parliament and call new elections if that happened.

Spain hit by air chaos as Iberia plan sparks strike

By Tom Burns in Madrid

Airline management and unions were locked in crisis talks last night in an attempt to prevent Iberia, Spain's national carrier, sliding into bankruptcy. Strikes in all domestic airports in protest at proposed cost-cutting measures brought air traffic in Spain to a virtual halt, leaving tens of thousands of passengers stranded.

The airport chaos highlights a bitter confrontation over Iberia's plans to slash costs. The dispute threatens to disrupt the government of Mr Felipe González and strain Spain's relations with the European Commission.

Iberia is struggling under the financial burden of an ambitious expansion into Latin America, where it has bought substantial shareholdings in three local carriers, including Areolineas Argentinas. Iberia has Pta150bn ($1.2bn) of accumulated losses and says it faces bankruptcy early next year unless it pares costs and receives fresh state aid of some Pta130bn. However, any capital injection by the government requires authorisatioo from the European Unioo. In 1992, Iberia was allowed a subsidy of Pta120bn on condition it did not apply for more aid until 1996.

Last night's talks were dealt an early blow when representatives of the pilots union walked out. The pilots fear they will bear the brunt of Iberia's planned salary and job cuts and are seeking the removal of its chairman, Mr Javier Salas, as a coodition of any agreement.

Mr Salas said failure to agree a 15 per cent pay cut would mean the immediate sacking of 5,000 employees – 20 per ceot of Iberia's workforce – and the break-up of the airline.

"This meeting represeots the last chance to maintain Iberia in its present form," he said.

The unions, representing cabin crews, ground staff, mechanics and other employees, said wage cuts should be limited to 8 per cent and strongly weighted towards the higher paid. They said they would continue to disrupt Spain's air traffic if management pressed ahead with the lay-offs.

Some 500 flights to and from Spain were cancelled yesterday, including all of Iberia's and most incoming flights by other European airlines. In the Canary Islands alone, 174 charter flights were cancelled.

"Iberia has for far too loog depended on hand-outs and believed it always had a safety net," said a senior Madrid government official. "All that is over now and these are not conventional talks about pay; they are about the survival of a big company."

In the absence of a restructuring plan based oo the 15 per cent wage cuts, Iberia says it will be forced to sell off its more profitable business units to raise capital through disposals.

See Lex

Clarke defends Britain's EU stance

By Philip Stephens in London

Mr Kenneth Clarke, the UK's chancellor of the exchequer, yesterday delivered an uncompromising defence of Britain's policy towards the European Union as the government faced down a threatened rebellion by Tory Eurosceptics over the Brussels budget.

But the debate on legislation to allow higher British contributions to Brussels once again exposed the deep divisions in the Conservative party over Europe.

Mr Norman Lamont, Mr Clarke's predecessor at the Treasury, called for Britain to redefine its relationship with Brussels even if that meant considering the option of withdrawal from the EU.

A group of hard core Eurosceptics was still threatening to abstain or vote against the measure in spite of a threat of suspension from the parliamentary party.

In a combative performance in which he accused Labour and the Liberal Democrats of colluding with the rebels to wreck an agreement which they had backed when it was signed at the Edinburgh summit two years ago, Mr Clarke said the government was "certain" of victory in last night's vote.

But a decision to suspend – or, more formally, remove – the parliamentary whip from any rebels could reduce or wipe out the government's already slender theoretical Commons majority of 14.

Rightwing opponents of Mr John Major were also still seeking support for a challenge to the prime minister before Wednesday's deadline for the start of such a contest.

But dissidents on the left of the party made it clear they were not prepared to add their names to the list of those seeking a challenge, leaving the rightwingers short of the required 34 names.

Mr Michael Heseltine, the trade and industry secretary, had earlier flatly rejected any suggestion that he had any knowledge of claims from some in the anti-Major camp that a contest could pave the way for him to win the leadership.

Mr Clarke strongly defeoded the government's decision to make passage of the legislation an issue of confidence on which the government would stand or fall. If parliament could not support a deal in which a government had given "its solemn international commitment" then "that government has lost the confidence of the House and it must fall".

Insisting that the agreemeot would add only £75m ($123m) to Britain's contributions next year – rising to about £250m extra by the end of the century – he said the accord represented a "personal triumph" for Mr Major.

Mr Clarke's only concession to the rebels was to promise tougher measures by national governments and by the Brussels Commission to cut EU fraud.

Joe Rogaly: Life raft for parties .... Page 18

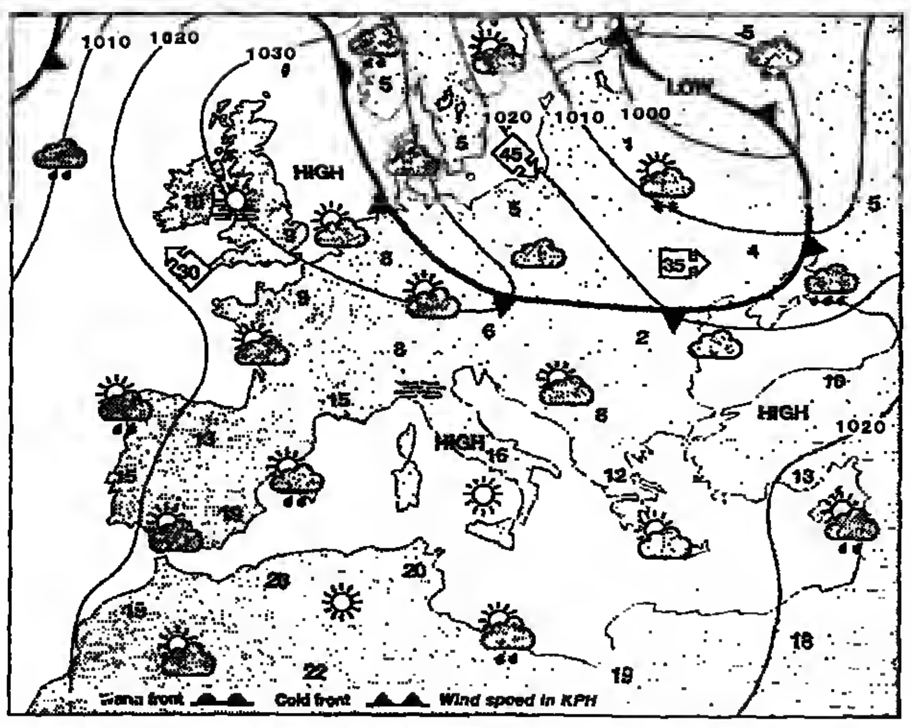
FT WEATHER GUIDE

Europe today

High pressure over the North Sea with extensions to the Mediterranean and Norway will give settled and mainly dry conditions over western Europe. Low pressure over Russia will draw cold Arctic air with snow as far south as the Black Sea. In the wake of the cold front, the Baltic region will have variable cloud and isolated snow showers. Part of the cold air mass will surge into north-west Europe, where temperatures will become seasonable. Fog patches and low cloud will be followed by abundant afternoon sun in Italy, France and the British Isles. Western Scandinavia and Spain will have some showers.

Five-day forecast

The high pressure system will slowly move towards Poland, maintaining a light to moderate cool northerly flow over eastern Europe. Central Europe will turn cooler. Western Europe will be influenced by increasing southerly winds which will promote sunny spells and decrease the risk of fog. Light frost is expected later this week in eastern France, the Benelux and southern Germany.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	30
Accra	fair	32
Algiers	sun	20
Amsterdam	fair	9
Athens	sun	14
Atlanta	fair	15
B. Aires	cloudy	24
B.ham	sun	9
Bangkok	fair	33
Barcelona	cloudy	16

Beijing	sun	8
Belfast	sun	9
Belgrade	sun	9
Berlin	fair	8
Bermuda	fair	25
Bogota	fair	20
Bombay	sun	33
Brussels	fair	8
Budapest	fair	7
C.hagen	fair	8
Cairo	cloudy	18
Cape Town	sun	29

Caracas	sun	29
Cardiff	sun	9
Casablanca	sun	19
Chicago	cloudy	3
Cologne	fair	8
Dakar	sun	28
Dallas	sun	21
Delhi	sun	25
Dubai	sun	30
Dublin	sun	10
Dubrovnik	fair	16
Edinburgh	fair	8

Faro	shower	18
Frankfurt	fog	8
Geneva	fair	7
Gibraltar	fair	18
Glasgow	sun	8
Hamburg	fair	8
Helsinki	cloudy	2
Hong Kong	cloudy	27
Honolulu	cloudy	28
Istanbul	fair	9
Jakarta	shower	31
Jersey	fair	10
Karachi	sun	31
Kuwait	fair	21
L. Angeles	sun	24
Las Palmas	fair	23
Lima	cloudy	23
Lisbon	shower	15
London	fair	10
Lux.bourg	fair	6
Lyon	fair	9
Madeira	fair	21

Madrid	cloudy	13
Majorca	cloudy	17
Malta	cloudy	19
Manchester	sun	10
Manila	fair	31
Melbourne	shower	23
Mexico City	fair	22
Miami	shower	29
Milan	fog	10
Montreal	snow	1
Moscow	snow	-5
Munich	fair	6
Nairobi	fair	25
Naples	fair	16
Nassau	fair	29
New York	fair	11
Nice	fair	16
Nicosia	cloudy	14
Oslo	fair	5
Paris	fair	7
Perth	sun	27
Prague	fair	6

Rangoon	fair	33
Reykjavik	rain	9
Rio	cloudy	25
Rome	fair	18
S. Frsco	fair	14
Seoul	fair	11
Singapore	thund	31
Stockholm	fair	4
Strasbourg	fair	4
Sydney	thund	25
Tangier	sun	19
Tel Aviv	shower	18
Tokyo	fair	14
Toronto	cloudy	3
Vancouver	snow	-1
Venice	fair	12
Vienna	fair	8
Warsaw	shower	3
Washington	fair	8
Wellington	fair	15
Winnipeg	cloudy	-5
Zurich	fair	4

THE LEX COLUMN

ABC's star attraction

The big US broadcasters have been kept out of television production for several decades. Now the shackles are being removed, it is hardly surprising they are rushing to get into the business. When there is an opportunity to link up with media titans such as Mr Steven Spielberg, Mr Jeffrey Katzenberg and Mr David Geffen, the temptation to do so must be irresistible. Capital Cities/ABC clearly hopes for a string of hit TV shows from the trio, which it can then syndicate throughout the US.

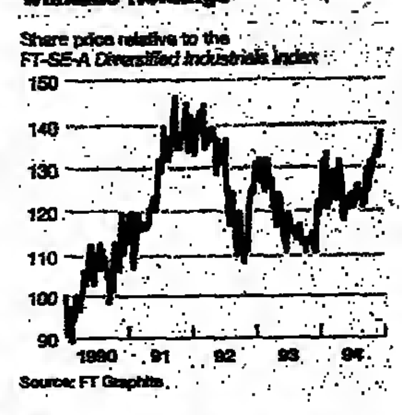
The deal may make sense for ABC. But the commercial logic behind networks building their own production capacity – rather than buying in programmes on an arms-length basis – is not clear-cut. On the plus side, vertical integration should allow cost savings in that a tied studio should not need its own syndication department. Integration should also shift much of the risk of making programmes from studios to networks. Arguably such risk-allocation is efficient, since networks have bigger balance sheets. If a close relationship allows studio and network to communicate more effectively, the risk of making dud programmes might even be reduced.

But there are negatives too. Tied studios, secure of an outlet for their programmes, could easily lose their commercial edge. ABC might also find it hard to rein in its three stars, if ever their programmes were not up to scratch or ran over budget. ABC might note that in the UK there is something of a move away from vertical integration: in a drive to improve value for money, the BBC is contracting out an increasing proportion of its production.

FT-SE Index: 3047.1 (+13.6)

Williams Holdings

Share price relative to the FT-SE-A Diversified Industrials Index



Source: FT Graphite

Williams Holdings

Williams Holdings yearns to be seen as a focused industrial group rather than a blindly acquisitive conglomerate. The signs are that it is gradually winning the battle. Williams' shares command a premium rating of 12 per cent against the market and are up nearly a quarter against the diversified industrial sector in the past 12 months.

Yesterday's £80m deal helps show why. The purchase of Angus Fire on a multiple of 17 times last year's after-tax profits is unlikely to dilute Williams' earnings in 1995. This is despite the need for £3.5m of restructuring charges to be taken above the line. Thereafter it should enhance earnings as margins are brought into line with the group's 15 per cent target and synergies with other fire businesses are exploited. It may not be huge for a company with a £2.4bn market capitalisation, but it demonstrates that Williams is putting its shareholders' money where its mouth is. Angus is one of the larger transactions in a string of deals – worth £250m in the past 12 months – which give credibility to the strategy of growth by bolt-on acquisitions.

That said, Williams still suffers from a number of problems. Its cash-flow, though now positive, is still not luxuriant. Moreover, the recurrent need to write off goodwill following acquisitions means that shareholders' funds are tiny for so large a group. This means gearing rises rapidly. And as yesterday's cautious trading statement hinted, trading conditions are tricky. But Williams deserves its new-found credibility, and its rating.

Iberia

Yesterday's chaos on the planes in Spain was nothing compared with the crisis that would grip the European Commission if it allowed Iberia to be refinanced yet again by its state owners. Other airlines would cry foul since the requested Pta130bn ($1bn) in refinancing would break Iberia's undertaking not to seek state aid until 1998.

Iberia's management has masterminded a strategy which generated losses of Pta120bn since 1992 – the same amount as the state bail-out in that year. While Iberia's absolute costs have been kept low, revenues have stalled. The airline has been caught between the Spanish recession, low yields caused by the high proportion of holiday traffic on its routes, and the absence of international transit passengers. Its efforts to remedy this by expanding into Latin America have proved unprofitable.

Iberia must raise capital without begging from the state. It could sell and lease-back its aircraft, dispose of its European subsidiaries to companies such as BA or Lufthansa and cut costs still further. If that is not enough, the group could dismantle its Latin American operations. Iberia would be without an intercontinental strategy but it could easily merge with another airline. That might seem a big blow to Spanish pride, but it would be better than continuing large cash injections from the taxpayer.

Bayer

Bayer has yet again proved itself a class act. Its 60 per cent rise in year on year pre-tax profits during the third quarter was thanks to hard work as well as recovery. The cost-cutting has been impressive. During the last four years staff numbers have been cut 12 per cent, while salaries have been kept under control. Turnover has been almost static, yet sales per employee improved 11 per cent. Nor did Bayer stint on capital expenditure during the recession: the group will have invested more than DM15bn ($9.6bn) between 1990 and the end of this year.

Such careful husbandry during the downturn is now being rewarded. Sales in all divisions have started to rise, driven by earlier strategic expansion into Asia, Latin America and the US. More is yet to come. The group is still to benefit fully from recovery in Europe, where more than half its turnover is generated. Year on year, prices were actually down 1 percentage point, but the group expects to push through increases.

Weaknesses remain. The pharmaceuticals division has not performed well. However, management has high hopes for the new product portfolio and is following the example of other groups by reorganising research and development to raise productivity. Bayer has also addressed the dyestuffs operations' difficulties, placing them in a joint venture with Hoechst. The only problem is Agfa, its photographic business, which sits oddly within the group. Bayer should find some way of disposing of it. The shares, which have underperformed more cyclical stocks such as Hoechst and BASF, deserve a rerating.

Push-button service for measuring performance
Page 4

FINANCIAL TIMES SURVEY

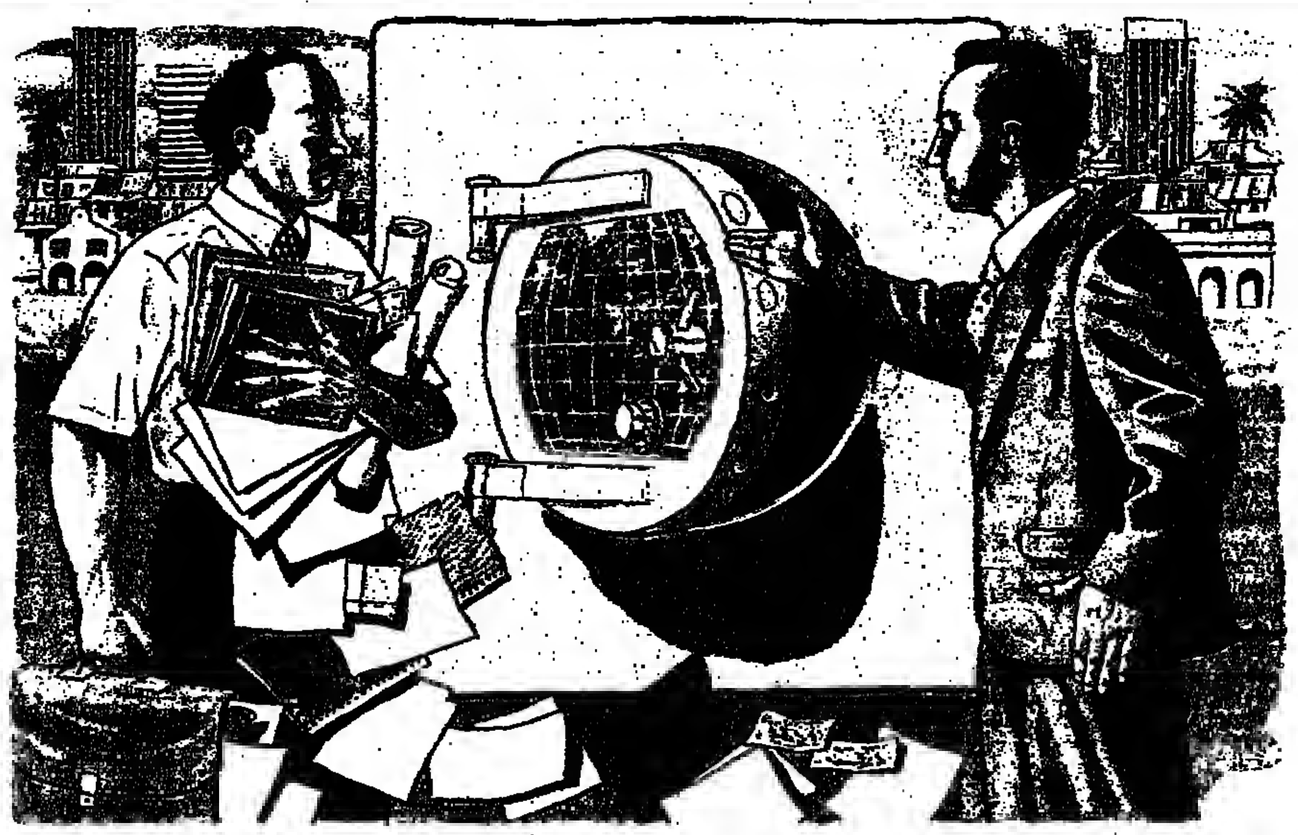
GLOBAL CUSTODY

Tuesday November 29 1994

Russia: the challenges posed by the final frontier
Page 9

Oil for the world's investment machinery

Global custodians have moved on from the task of merely keeping securities safe. They are now in the business of asset administration. Norma Cohen reports



Global custody, once a sleepy backwater of the banking industry where clerks endeavoured to keep securities safe, is no more. Instead, it is a global multibillion-dollar business which provides the oil for the world's investment machinery and the glue which holds the system together.

Indeed, custodians say, their sector is saddled with a misnomer. "We are really in the asset administration business," said Valentine Feerick, head of global trust and custody at Mellon Trust Europe. "We need to be able to play a role from the point where somebody agrees to buy a security to the point where somebody sells it.

For international banks such as Mellon, the core "master trust" business is relegated to a mere housekeeping activity. The *real business* is up-to-the-minute information provision for clients whose investments are crossing international borders and time zones at an *alarming rate*.

In addition to the traditional services of cash and foreign exchange management, dividend collection, and monitoring corporate actions, clients want custodians to handle securities lending into esoteric markets, investment accounting and performance measurement and attribution.

"What our customers will look to us to provide is valuable information that will help them make the right decisions about their asset strategies," said Marshall Carter, chairman and chief executive officer at State Street Bank, one of the world's largest global custodians. Competition in future years for banks such as State Street may well come not from other banks looking for a slice of a lucrative new business but from leading information providers such as Reuters and Bloomberg which already are *adept at sending information* around the world at low cost, Mr Carter said.

Customers will want their custodian not only to collect mountains of data for them, but to distill it into a readily useable form.

Charles Cassidy, who runs State Street's European custody business, points out that regulators' efforts to curb risks in securities settlement mean that clients need even more from their custodian. Earlier this year, the US Federal Reserva began to charge banks for their intra-day borrowings, a cost which has now been passed on to institutional investors. "Money now has a *value during the day* and information about money now has a value during the day," he said, noting that clients want their custodian to monitor their borrowings *minute by minute* to cut the cost of credit.

While clients are demanding an increasingly sophisticated product, they have been able to exploit fierce competition in the business which is driving pricing down further. The long-envisioned shake-out has yet to materialise. However, there are signs that some institutions which provided their own custody are now re-thinking that strategy – a move which could ease competitive pressures.

Earlier this month, Prudential, the UK's largest life insurer and a leading international investment manager, caused a rumble by quietly asking 10 international banks to bid to manage its £40bn portfolio of UK and international securities which it handles in-house.

It is the largest single contract since the California Public Employee Retirement System sought bids for its business in early 1992.

David Hanson, director at Prudential Portfolio Managers, said the Pru simply made the decision that while it meets its own custodial needs perfectly wall at present, the future requirement for investment in technology had caused a rethink. Custody, he said, is simply not Prudential's core business and the insurer would rather concentrate on what it is good at – investment.

However, there are few signs that third-party custodians are retreating from what is for some a very profitable business. Robert Binney, head of Chase Manhattan's European custody business, says that custody is the single largest contributor to Chase's profits for the Europe, Africa and Middle East regions.

Morgan Stanley, one of tha few investment banks to establish a significant toehold in custody, says that 1993 was a "banner year" for profits in its custodial business. In 1994, profits are already up 60 per cent. It is the fourth most significant contributor to group profits for the bank.

"Everybody is talking about a shake-out in the custody business. But I'm at a loss to see who is getting out," said Mr Cassidy. "But what we do see is a tiering of the business."

John Lee, a partner at Lee Schwartz Associates, says that a group of 10 international custodial banks now account for 80 to 90 per cent of the business worldwide. A further 70 to 80 banks may service significant parts of individual countries or regions.

Michael Grass, head of global custody at Barclays Bank, predicts that the degree of annual *expenditure on technology* and the number of new markets for which there is a demand for service mean that no bank can afford a comprehensive service. Instead, "we will see alliances. Banks will say, 'Look, you offer this service and I'll offer that service and we'll face the market together'."

Already, there are signs that Mr Grass's prediction is coming true. Leading custodians are reporting increasing interest in so-called "white labelling", tha provision of their service under the brand name of the end-client's own custodian. The arrangement allows banks which cannot invest in the necessary technology to retain a long-time relationship with a client while providing high-technology custodians with an additional source of revenue.

Meanwhile, if there is any trend which has shaped the business in the past year, custodians say, it has been the pace of expansion into cross-*border investment, particularly* from the US which has traditionally been reluctant to look overseas. That move abroad has taxed the abilities of custo*dians, particularly in emerging markets* where the flood of foreign investments has swamped the system in some countries.

According to InterSec Research, a US-based consulting firm, US pension funds sharply increased their international holdings to 7.4 per cent of all assets by the end of 1993, up from 4.7 per cent the year before. And despite weakness in equities markets worldwide, the trend continued into 1994 with the value of US pension assets invested abroad rising by a further $22bn in the first half of the year. Most of that went into equities.

And, significantly for the global custodians, there has been a considerable increase in investment in emerging markets where settlement systems and custodial services have often been rudimentary.

Baring Securities is predicting that by 2010, roughly 45 per cent of the world's stock market capitalisation will be in emerging markets.

If there had been any doubts about the need for effectiva custodial services in these emerging markets, the example of India would have erased them. Earlier this year, custodians operating there had to close their doors to new foreign investment and set limits for existing customers as the paper-based system creaked to a virtual standstill.

And despite the introduction of a number of *reforms* intended to ease the paper crunch, custody in India is still threatening the ability of foreigners to invest there. GSCS Benchmarks, a publication which tracks the performance of custodians in each country, estimates that by the third quarter of 1994, three out of every four trades were still failing to settle on time. "Simply stated, the situation in that *market has* reached a point where any prudent fiduciary, whether a money manager or a custodian, should be advising clients not to invest there," GSCS said in its latest bulletin.

India is not alona, GSCS says. Malaysia is showing signs of proving equally problematic and even some mature markets, such as Japan, have relatively high levels of trades which fail to settle on time.

Overall, the pressures on custodians to service arcane markets and meet increasingly sophisticated needs is taxing the industry's imagination and *its ability to finance further* technological development. Long-term, only a handful of international operators are likely to rise to the challenge.

IN THIS SURVEY

Man from the Pru galvanises the industry

Editorial production: Roy Terry
Illustration: David Bromley

Outsourcing: **Norma Cohen** on the implications of the Prudential contract

The Pru's move galvanises the industry

Earlier this montb, the Prudential, the UK's largest institutional investor, asked 10 leading international banks to tender for its global custody business, thus setting off a burst of enthusiasm not seeo in the sector in years.

With £40bo of global assets to care for, the Pru's contract will he the largest single slice of oew business since the California Puhlic Employees Retirement System (Calpers) put its then $65bn portfolio out to tender in early 1992.

For those in the global custody business, the implications of the Pru's move are enormous. It is not simply tbe thought of a contract to service £40bn of assets, they say, hut the hroader question of just who ought to be in the custody husiness anyway. If the Pru's vast assets are still too few to justify it being in the custody husiness, then surely dozens of other smaller fund managers in the UK and beyond will also need to consider outsourcing their asset servicing business.

In making its decision to outsource its custody, David Hanson, a director at Prudential Portfolio Management, said the company looked long and hard at its core businesses and decided tbat custody was not one of them.

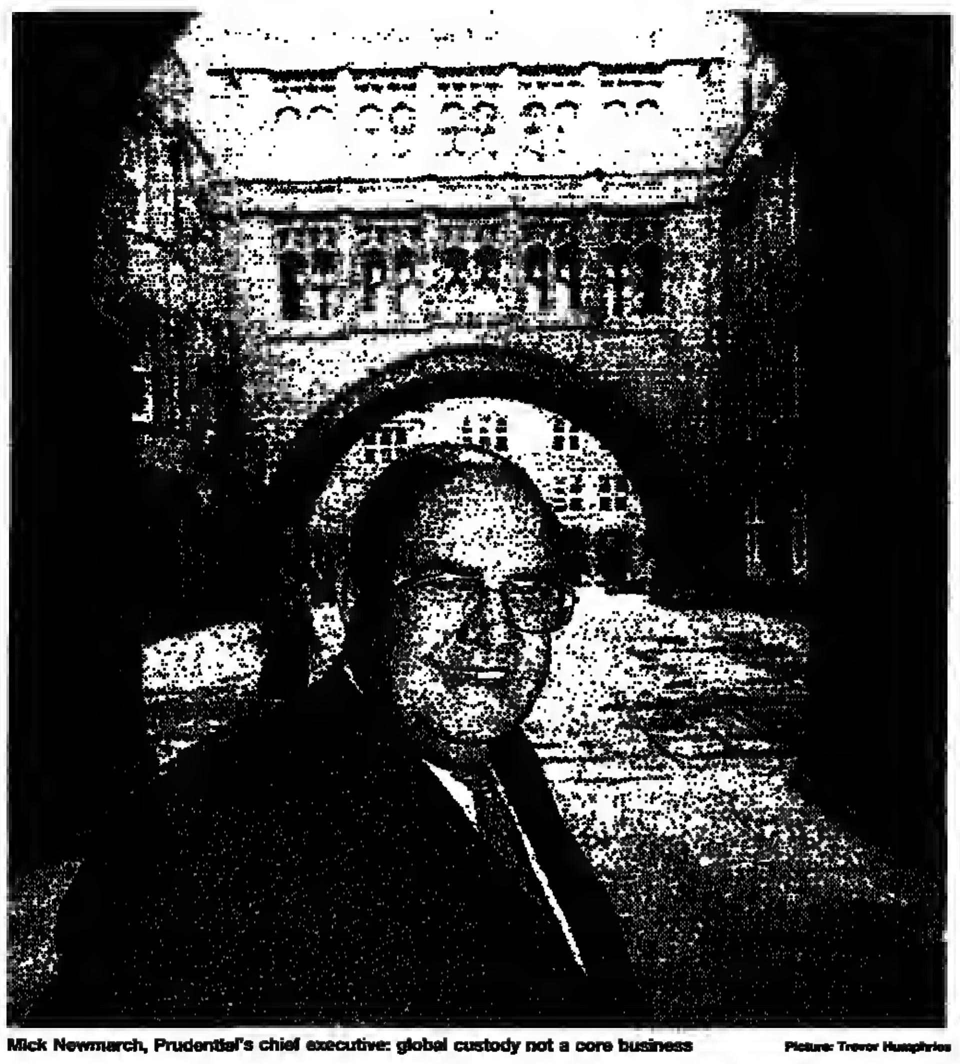
"The players who are in here are in for the long haul," Mr Hanson explained. "They are investing $50m a year. Also, you really have to be part of the banking business to do it well," he said. "A bank is capital-hungry. Our core competence is investment."

And even if Prudential had decided to make a serious hid for the custody assets of others – giving it far greater critical mass than it has even oow – "you're never going to say 'The Prudeotial – oumber one in custody'," Mr Hansoo said.

Once that decisioo had beeo made, the company, which is the UK's largest life insurance company, retained a consulting firm to help it find the right custodian – or combinations of custodians – to suit its needs. Significantly, the Pru has selected the same firm of consultants which helped Calpers achieve some of the finest pricing for custodial services ever seen in the husiness.

However, the fact that a company the size of Prudential sbould have decided to outsource its custody operations is hy no means an indication of how mucb critical mass a fund manager would need to remain in that business.

Ms Elizabeth Corley, director in charge of custody and investor services at UK investment bank SG Warhurg and Co, says that her company has taken a different view. At Warhurg, which is the custodian for its 75 per cent-owned suhsidiary Mercury Asset Management (MAM), "custody is a core husiness".



Mick Newmarch, Prudential's chief executive: global custody not a core business — Picture: Trevor Humphries

MAM began to invest beavily in its custody operations about six years ago mostly to meet the needs of its fund management clients for whom it offers a hundled service.

However, because of the significant technology spend that effort required, MAM began to consider whether it could perform the same service well for those who are not its fund management clients.

And, indeed, some of its fund management clients, such as the GrandMet Group Pension Fund, ask MAM to additionally provide the custody for the portion of assets it does not invest. Recently, it has begun to market its custodial capacity more widely – earning an added boost from consultants who rate it highly – and has attracted the husiness of Invesco, the UK-based fund manager.

But MAM's recent emphasis on huilding its own stable of retail financial products has forced it to invest heavily in information technology not only for custody hut for client record-keeping and other services.

Dozens of smaller fund managers are expected to follow the Prudential and outsource their asset servicing business

"If yon are making that investment, you must ask yourself whether you are doing it just for yourself, or for others as well, or should you not be doing it at all," Ms Corley said. MAM, which is spending £10m to £12m on new systems each year, has decided it wants to do it for others in additioo to itself.

It has succeeded in winning the mandate to manage the new start-up unit-trust and unit-linked life insurance businesses of the Halifax Building Society and for Leeds Unit Trust Ltd, the unit trust arm of Leeds Permanent Building Society.

Also, MAM makes its proprietary retail fund administration system available commercially.

"I actually think that outsourcing is golng to become more important," Ms Corley said. "People are saying 'If I can't do something well and I don't need to, why should I?'"

John Lee, partner at Lee, Schwartz Associates, a consulting firm specialising in custodial husiness, agrees that if anything, the trend towards outsourcing is likely to continue. While oews of spectacular new contracts such as the Pru's may still be rare instances, a far more commoo form of outsourcing is occurring under the description of "white labelling".

In white labelling, or private labelling, banks which have traditionally provided custody services find they can no longer afford to do so efficiently. They may then turn to one of the larger banks to do it for them, unbeknown to the ultimate client. The client, most likely a fund manager or insurance company, retains its direct relationship with the bank which will still be responsible for all reporting and the provision of administrative services.

Ross Whitehill, senior vice-president, global custody, at Morgan Stanley, notes that in Europe, where relationship banking remains a key determinant of who does business with whom, such private labelling relationships look particularly attractive.

Other banks were inclined to agree. "We're talking now to two European institutions who provide glohal custody. They cannot keep up with the technology and the big Americans are pillaging all their clients," said one banker. Although the banks are asking the custodians whose services they will "white label" for non-compete clauses in their respective markets, the hank believes such agreemeots will increasingly become a profitable activity for the largest operators and a hallmark of the custodial business on the European Continent.

Profitability: **John Gapper** reports

Relatively low risks and stable earnings

The attractions of global custody for the dozen or so banks that are serious operators in the market stem as much from what it does not involve as from what it does involve. It is not an activity like lending which requires the use of balance sheets and ties up capital, nor is it like securities and money markets, which is profitable in good times but suffers from poor returns in bad times.

After the lending problems of many banks at the turn of the decade, and the let-down from 1993's trading *annus mirabilis*, these advantages are more firmly instilled than ever in most bankers' minds. Larger banks regard custody as having an attractive comhinatinn of relatively low risks and a stable annuity-like earnings stream for successful operators.

Furthermore, custody has an obvious allure for many banks because it fits in well with other activities. Banks that are active in securities and foreign exchange trading see custody as a means of gaining captive business, so gaining more volume to pass through existing infrastructures. All bave the basic requirement of being able to clear and settle transactions.

Within the different forms of custodial business, glnbal custody is also more attractiva than domestic master trust and custody work in the US, and sub-custodianship in other domestic markets because of the growth in the market, and the potential for higher returns. Most global custodians argne that prospects are hright because of long-term investment trends.

Ralph Mastrangelo, a managing director at JP Morgan, argues that the portfolio strategies of US fund managers mean that their need for global custody services is bound to grow. "The search for yield is pushing them into new markets," he says. This not only means more call for central management of funds, hut the possibility of higher margin work.

One custodian estimates that margins on the ancillary service of stock lending – one of the most attractive linked businesses – are only 25 basis points (hundredths of a percentage point) in the London market, but range up to 300 basis points in some emerging markets. Only banks with a strong presence in emerging markets as custodians can achieve this return.

Such factors would appear to make global custody a highly attractive business for all banks. Yet the business remains one of the most highly concentrated of all hanking activities. This is because of the high barriers on entry, and the intense competition on margins in the forms of custody which new entrants might be able to perform relatively easily.

Pressure on margins has been a constant of the past five years. Alex Jablonowski, managing director of Barclays' global services arm, observes that "custody is for the birds". He says that the straightforward activity of holding securities in safekeeping and collecting dividends on equities and coupon payments on bonds produces miserly returns.

The forcing down of margins has been accelerated by the sophistication of the hidding process for the largest contracts. Fund managers have become used to banks making aggressive quotes for the simplest forms of business to be allowed to carry out more profitable ancillary services. Basic custodial work is now done virtually free on the largest contracts.

Alistair Reid, director of custody at Barclays, argues that banks can "make good money by combining different themes" in custodial work even if the core product has been commoditised. The more profitahle ancillary services include stock lending, foreign exchange contracts and all forms of derivatives to reduce risk and enter new markets.

Mr Mastrangelo says that most bids are "based on what a bank can get from the valoe-added side. The clients know that they are giving some gravy to subsidise the basic custody". Similarly, Mr Jablonowski says that the most profitable activities are "across markets and across products. The really borrible stuff is in a single product in a mature domestic market".

But the price of entry even to make such bids is also substantial, and becoming more so. Banks such as Chase Manhattan and State Street which have concentrated on custody and related businesses since the late 1980s have large technical infrastructures. At the heart of operations such as Chase's Infoserve arm are proprietory telecommunications networks.

This has led to a tendency for consolidation among custodians, with smaller operators in the US selling businesses to those with an established advantage. Furthermore, fund managers who have undertaken custody are contracting out, a trend exemplified by Prudential Insurance in the UK to seek tenders for its global custody.

Despite the pressure on margins in basic forms of custody, the large operators therefore face the possibility of becoming increasingly dominant in a growing market, and so being ahle to reduce their unit costs. The future of profitahility fnr such operators is likely to centre on their ability to control the risks of custody, which can be substantial.

One form of risk is credit. Although there is relatively little credit risk involved in basic custody, custodians have introdnced forms of credit risk in an effort to offer more sophisticated services. One example is the now common practice of paying dividends or tax rebates to fund managers on set dates, whether or not the custodian has yet collected the money.

One custodian argues that these forms of risk are not being priced properly at the moment. Because custodians tend to deal with large creditworthy fund managers, they have competed for business without taking true account of the risk of loss. "The credit risk aspects of this husiness are not getting enough attention, and they are not being priced," he says.

Most eustodians believe that an even greater risk is operational: tha chance of failing to complete trades that a custodian has guaranteed, and so having to make np the shortfall of funds hecause of movements in securities prices. The risk can he exaggerated, given that custodians can also benefit from market movements, but it is particularly acute to emerging markets.

Ms Vivian Eversole, executive vice-president of Chase Manhattan, says that the biggest risks "are defioitely operational. It is blowing a transaction or valuing a fund improperly". Such risks are likely to figure more strongly io custodians' thoughts if margins oo business io emerging markets erode withont correspoodiog improvements in market infrastructure.

Retail financial products: **Alison Smith** reports

Small investors offer big business potential

Looking after the funds of small investors is becoming increasingly big business for custodians as well as for organisations more directly involved in retail financial services.

In the US, for example, the mutual fund industry had about $2,000bn in assets in 1993, compared with just over $1,000bn in 1990. More than one quarter of US households own a mutual fund.

Within the UK market, sales of unit trusts were the striking feature of retail savings and investments last year. The unit trust industry attracted a record £9.14bn of net investment in 1993, and net sales of unit trusts for the first nine months of this year are higher – at £7.15bn – than for the same period last year.

Many UK investment managers say there is little difference between the services they require of a custodian for retail financial products compared with the characteristics they are looking for in s custodian for wholesale funds.

"There's no difference in pure custody terms," says Anthony Myers, managing director of Gartmore's custody subsidiary. The factors he cites as important include the extent of the network run by the custodian; the way in which it runs settlement; its general efficiency and electronic capability; and how good it is at providing reliable intelligence on corporate action.

The differences are, instead, in the additional services provided alongside custody.

In the UK, financial regulation requires every unit trust to sppoint an independent trustee to look after the interests of unit-holders. This function – which has no direct equivalent in other forms of investment – must be fulfilled by an organisation separate from the investment manager, and it is common for the role to be carried out by the custodian.

So, in appointing a custodian, a UK unit trust manager will look also at the trustee services available.

Recent changes in unit trust regulation, increasing tbs responsibilities of trustees could lead to some changes in trusteeship.

At the beginning of November, the Securities and Investments Board, the City's chief regulator, replaced its list of approved securities and derivatives markets for unit trust purposes with a duty on managers to ensure that the markets where they invest meet certain criteria.

The change allows unit trusts to invest in a much wider range of emerging markets, but puts a greater onus on the trustee – which some are reluctant to accept – as well as the manager.

It could see trustee services move either in favour of the more broadly-based custodians, which can offer expertise on any given market.

Alternatively, it could lead to fragmentation, so that s manager wanting to operate a fund in a particular market would go to a trustee with specialist knowledge of that area.

In America, while no trustee function exists in respect of mutual funds, the additional services are similarly important in differentiating custodians.

Within the UK market, sales of unit trusts were the striking feature of retail savings and investments last year

"In the US market, what is most difficult and time-consuming is the daily pricing of the portfolio: not that many agents can do that as well as the auxiliary services, and by the tims you includs fund accounting as well, there are just a handful of custodian banks," says Wendy LaBonte, director of mutual fund marketing for State Street Bank in the US.

The US market is much more highly developed than the UK market in terms of the auxiliary services offered by custodians, but the UK market is moving in the same direction.

Last year, SG Warburg set up a new service offering unit trust managers a combination of trusteeship and administrative services using a single database.

It has been appointed to handle the administration of the new unit trust subsidiary to be launched in January by Halifax Building Society, the UK's largest; and also acts for the newly-created retail financial products subsidiaries of Leeds Permanent Building Society and for the retail prodncts business of Invesco, the fund management group.

Though that trend is growing, the impression is still that the banks are keener to provide the services than many UK investment institutions are to receive them.

One senior figure in the UK market believes that the reason the market has not changed more quickly is that UK banks are "probably a bit behind in technological development", and US banks do not have a large existing client base where they can sell the additional services.

The argument for placing administration and custody functions with a third-party provider is that it reduces costs.

Efficient management of custody and administration increasingly requires significant investment in technology which is much too large for all but the largest groups, and expensive even for them.

But the dilemma for the investment institution is whether the third-party is really going to manage the task better, and how far the task lies within or beyond its core competences.

"It is hard to see a big insurance company not regarding information technology and relations with policy holders as a core part of its role," one significant investment manager says. "But a fund management organisation moving into retail services might take a different view."

Barry Beale, relationships director of Warburg's custody and investor services division, draws a distinction between Warburg's services which are related to the underlying assets and rely on the same database – such as portfolio administration – and those which are more outward-looking such as dealing and registration. It is up to the client institution to decide which facilities it wants, he emphasises.

While tha provision of extra services poses a question which will have different answers for investment institutions, for custodians the picture is more clearly positive: it is a way of getting further value out of information which they almost certainly have to have anyway, to carry out their basic functions.

The extra services, then, are "added value" both because they can provide added value to the client, and because they provide a further source of income in an aggressive market.

"Plain vanilla custody is very, very competitive," says Mr Beale. "It's very difficult to make a serious living out of it. You have always to be looking to add value."

Settlement Index
Emerging markets

Country	Volume (% of total trades)	Settling (% on SD)	Benchmark Q2 94	Q3 94	% change
Argentina	5.58	68.57	75.77	74.45	−1.74
Brazil	9.83	94.23	89.66	92.16	2.79
Chile	0.08	100.00	95.07	100.00	5.16
Greece	2.63	44.30	4.31	19.85	360.58
India	2.98	24.23	6.04	1.03	−82.95
Indonesia	9.56	61.96	65.09	69.27	6.42
Korea	3.69	86.95	89.50	89.12	−0.42
Malaysia	29.06	69.93	71.67	77.17	7.67
Mexico	13.88	85.13	71.56	78.53	8.74
Portugal	3.00	97.09	94.37	97.57	3.39
Thailand	15.38	70.87	85.29	81.00	−5.03
Turkey	4.32	80.71	93.29	89.63	−3.92

* The purpose of the settlement benchmark is to provide a means of comparing the settlement efficiency of different markets and to track the evolution of settlement performance in individual markets over time. The benchmark incorporates the four components which, combined together, reflect the overall cost to market participants of failed trades. These include average trade size, local market interest rates, the proportion of trades that fail, and the length of time for which they fail. By converting information back into a base currency, comparisons between markets become possible. The benchmarks are expressed as a score out of a maximum 100. The lower the score the higher the effective operational costs of failed transactions in any given market.

Source: GSCS Benchmark

Dematerialisation: **Barry Riley** looks at Crest, the electronic stock market settlement system

Empty vaults will bring new opportunities

In less than two years' time Crest, the UK's electronic stock market settlement system which will largely do away with share certificates, at least for institutional investors, is due to begin its phasing-in process.

Many other stock markets around the world, both in the developed world and in the emerging markets, are ahead of the UK in introducing this so-called dematerialisation.

With no share certificates to look after, are custodians threatened with the collapse of their business? Not a bit of it. True, their vaults are liable to be empty.

But the changes bring at least the potential for a significant expansion of their business opportunities. Plainly, though, custodians will have to be prepared to adjust their techniques.

"We are very bullish about the whola situation," says Terry Pearson, head of external relations at the Royal Bank of Scotland's securities division in London.

He draws a parallel with the developments seen in the US after stock certificates were immobilised – that is, were kept in a central depositary (the Depositary Trust Company) as a compromise measure falling short of complete electronic dematerialisation.

"The US restructuring was thought to be the death knell of custody, but it turned out very differently," he says. "The US custodians expanded into many other areas. The same thing will happen here."

Thus the American custodian banks developed the Master Trust concept, which embraces many services including trade reporting, foreign currency control and elemeots of performance measurement.

According to Richard Crampton, managing director of the Bank of New York, in London: "From a pure custody point of view, dematerialisation won't make much difference." Already the UK system is in important respects effectively dematerialised, he says, because certificates have no validity unless supported by entries on the company register.

Regular tasks of the custodian, such as handling settlements, transferring money, maintaining records, collecting dividends and monitoring corporate actions, will be essentially unchanged. "The bigger impact will be on the registrars rather than the custodians," he says.

Andrew Douglas, a senior account manager with Citibank, offers a similar view. "Physical safekeeping of securities is now only a small part of custody," he says. "As the business has developed, the key has been to add on services."

In the UK, the original concept of Taurus, the Stock Exchange electronic settlement system which was expensively abandoned two years ago, was more worrying for the banks than Crest now is.

Many of the big fund managers were planning to be their own account controllers and might have taken many processes in-house.

But the failure of Taurus left them with burnt fingers and heavy cost write-offs. Moreover the successor project Crest is deliberately less powerful, because ambitions have been scaled down.

Functions not performed within Crest will have to be added on elsewhere.

"The US restructuring was thought to be the death knell of custody, but it turned out very differently"

Accordingly, some UK fund managers – many of whom have offered in-house custody to pension fund clients in the past – are now thinking about outsourcing.

Strikingly, the UK's biggest institutional investor, Prudential Assurance, has this month decided to phase ont in-bouse custody and put the portfolio administration of £40bn of UK and international securities ont to tender. Dematerialisation is only one factor behind the decision, but it has played a part.

According to Alistair Reid, director of custody at Barclays Bank, dematerialisation will leave s number of inefficiencies to be tackled.

An institution wishing to be active in the UK investment markets will face the need to establish interfaces with at least four systems – not only Crest for equities, but other systems for gilts, money-market instruments and financial derivatives.

The specialist role for custodians will therefore be secure, says Mr Reid. "Fund managers have their work cut out competing for their primary business, let alone competing with their banks," he observes.

Around the world, Barclays covers some 70 national market places, with two or three interfaces in each. "That's our job, not the fund managers'."

Settlement improvements within the UK are especially focused on increasing speed, and custodians are looking forward to the indirect benefits this will bring through the opportunities for expanding their business in securities lending.

Already UK settlement of equity trades has moved from a fortnightly account basis to 10-day rolling settlement, and the Stock Exchange recently announced a move to five-day settlement on June 26 next year.

Eventually, when Crest is running smoothly, three-day settlement will be introduced.

With time constraints becoming much more pressing, London marketmakers will have to rely much more on stock lending to balance their books.

"Wa expect that demand for stock lending will rise fourfold," says Terry Pearson, of RBS.

As a result, custodians will have a much greater opportunity to add responsibilities such as lending on an agency basis on behalf of clients, and looking after the collateral.

Mr Douglas, of Citibank, also sees plenty of scope here. "Demand will increase dramatically," he says, and from a starting position at which demand for stock already far outstrips supply. Lending rates may have to rise if a broad balance is to be maintained.

So there could be scope for expansion of Citibank's specialist lending desk, which controls stock borrowing and lending around the world.

This is an example of how custodians can aim to develop their expertise in systems and move higher up the added-value chain. Opportunities could multiply. For instance, data could be supplied directly to performance measurement specialists such as WM and Caps.

At Barclays Bank, however, Alistair Reid displays a little more caution. "Crest does present lots of opportunities," he says, "but the institutions may not wish to pay the appropriate price. Let's wait and see."

Terry Pearson is rather more forthright. "The Crest system is deliberately simple and limited in functionality," he says. "Capability has to be added somewhere else. Custodians are the obvious ones to do it."

Swift: **John Gapper** looks at the cross-border financial message network

Uncertainty over expansion plans

For global custodians, there are few more vital matters than being able to settle securities transactions on behalf of clients safely and quickly. Without an efficient method of doing so, custodians face not only high costs, but the financial risks of settlement failure.

The large US custodians might therefore have been expected to welcome a move by Swift, the Belgian-based cross-border financial message network, to provide a computer matching and reconciliation facility which can be used by all custodians and fund managers to track their transactions.

It was not to be. Instead, SwiftAsset Reconciliation was criticised on its launch at Swift's Sibos payments conference in Boston last month for being an inappropriate venture. The idea of easy access to such a tool for all Swift's 4,000 customers did not please the largest custodians.

It is argued that Swift should concentrate on its core service

Ms Vivian Eversole, executive vice-president of Chase Manhattan Bank, argued that Swift, which is owned by 2,230 banks, should concentrate on its core service of delivering financial messages rather than producing "value-added" products for market participants.

The question of how it can avoid competing with its own shareholders has become crucial for Swift as it mounts an ambitious push into the securities market, broadening its roots as a means for banks to exchange payments, foreign exchange and money markets messages.

There is a clear logic to Swift's securities ambitions. Swift itself estimates that the growth in global investment means that there will be 1bn securities messages exchanged annually by 1997. Yet members exchanged only 21m securities messages – a fifth of total traffic – during last year.

Tony Kirby, Swift's director of securities markets, says that falling settlement times mean that it is increasingly difficult to exchange paper confirmations of trades. "You have to be connected electronically, or you can imagine telexes and faxes blocking the world's financial arteries," he says.

This has given Swift an opportunity which it might have found harder to capitalise on two years ago. The network then had a reputation for overspending, and being unresponsive to its users. Although it had admitted fund managers in 1992, it was still levying relatively high transaction charges.

Since then, the network has undergone a substantial reform led by top management. Leonard Shrank, the chief executive recruited from Chase Manhattan two years ago, has engineered cuts in the entry fees and tariffs for use of tha network because of reduced expenses and higher volumes.

Mr Kirby says there is no conflict between Swift developing securities services and the interest of members such as large global custodians. He says that if the maximum number of participants is connected electronically and can exchange information "it will reduce the risks for everybody".

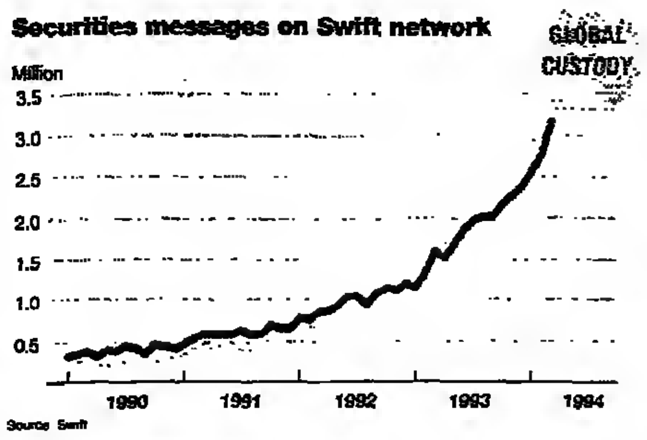
Yet Swift now faces uncertainty over how it should develop its securities activities. Mr Kirby argues that it can play a pivotal role in lowering the automation costs of new operators.

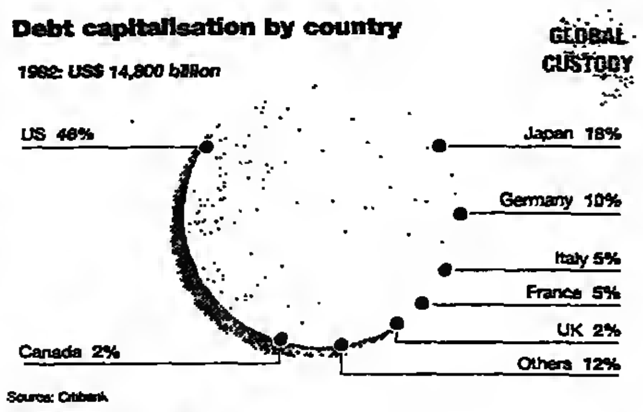
Some of this effect has already been seen in the relative enthusiasm of smaller fund managers for the network.

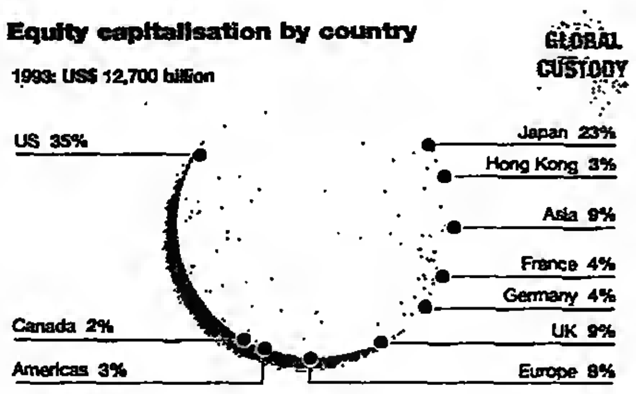
"The reason we are looking at added-value services is to attract newer participants. If the maximum number of parties is connected electronically, it will reduce the risks for everybody," he says. It would also allow smaller fund managers and custodians to provide sophisticated services.

Mr Kirby points to two advantages for fund managers in services such as SwiftAsset Reconciliation. First, he says it will improve the quality of information they receive on the their trades. This will "enable them to alert their bank" if there is a problem rather than waiting to be informed.

A second advantage, he says, is that "it is crazy for a fund manager to use every type of proprietary system that a bank comes up with". If they use systems which are standard across the whole industry, this means that they will be able "to switch custodians fairly cleanly" if they wish.







He combines this ambition with a clear statement that Swift does not want to "replace the hanks' proprietary systems".

Yet there is clearly a potential for conflict with custodians that provide high margin services for customers by gathering such information through their proprietary systems.

The scope for conflict in securities activities is greater than in some of Swift's potential payment and foreign exchange services because banks wanted to act as an intermediary there. But plans such as centralised matching of securities trades by 1997 could threaten the existing role of custodians.

In her Sibos speech, Ms Eversole argued that such value-added products were not an integral part of its strategy of attending to the needs of its most important customers - banks. Instead, she said Swift should be "focused on building the information autobahn of the financial world".

Yet the distinction between Swift's different categories of customers is likely to become increasingly blurred. Its move to admit fund managers in 1992 may be followed shortly by a similar decision to allow limited access to big corporate users, further diversifying its customer base.

Swift role is "to build the financial world's information autobahn"

Furthermore, as global custodianship consolidates further, it may be difficult for the few large banks that specialise in the activity to exert a controlling influence on Swift. Small banks may in contrast be happy to see it develop value-added services to lower the cost of entry for such activities.

Mr Kirby says that Swift's managers "respect the position of the large global custodians" but points out that Swift's board decided on the strategy. He says that Swift wants to "work with global custodians to define exactly what we mean by value-added services" now the debate has surfaced.

He argues that "today's added-value service is tomorrow's commodity" in the fast-evolving world of custodianship.

This means that Swift should be able to focus on activities which do not conflict with global custodian shareholders. This is likely to be one of its largest challenges in the future.

Performance measurement: **Norma Cohen** reports

Push-button service

Nothing has attracted more excitement than performance measurement in the search to find new value-added services to package into global custody services.

Traditionally the domain of independent professional services who glean information from custodians before translating it into usable form for clients, custodians are moving into performance measurement with a vengence.

"Custodians were fools ever to let performance measurement go to third-party providers," one banker said.

Robert Ross, director of consulting at Frank Russell Associates in London, said: "In theory, it could all be done at the push of a button. Custodians have all the data at their fingertips," he noted.

Frank Russell, which is active in the performance measurement market itself, has wasted no time in capitalising on this latest trend. The company is providing a software package to Chase Manhattan Bank, one of the world's largest global custodians, which is used by all its clients. The service will provide measurement and multi-currency performance attribution, helping clients to pinpoint which aspects of their investment strategy led to the out-performance or under-performance of a portfolio.

Also, Frank Russell is providing its performance measurement software to a group of other banks who make it available to selected clients.

According to Ms Laurette Bryan, senior vice-president in charge of performance and analytics at State Street Bank, says that the role of custodians in performance measurement is now so pervasive in the US that "the consultants are almost getting out of the business here because we are taking over.

"We can do it much faster than they can," she said, noting that full reports can be prepared for clients within three to five business days of the end of each month.

State Street's performance measurement service has three elements; a pure calculation of total returns, a comparison of returns against various benchmarks; and performance attribution. The last of the three is particularly crucial to pension scheme clients, she says.

Ms Bryan says that the particular style of US pension fund management lends itself to the type of performance measurement which custodians can offer. For one thing, US schemes are far more willing to use "specialist" fund managers and may have as many as 30 or 40 different companies handling bits of their portfolio. These organisations need to know, for instance, how their portfolio managers compare against each other as well as how they performed against their respective benchmarks.

Also, a global custodian for a client's portfolios will be able to spot some key elements of performance attribution at a glance. "Sometimes a plan does well because all their managers have moved in the same direction at the same time and it turned out to be the right direction," she said. However, that sort of "tilt" in a client's portfolio ought to be pointed out because it can lead to serious underperformance in future years. Ms Bryan recalled one former client who had done exceedingly well in the mid-1980s with a portfolio tilted towards small energy-related companies based in Denver, Colorado, which not long afterwards collapsed.

What clients really want, she says, goes beyond pure performance measurement. "If you can consult and interpret, then clients are willing to pay for it," she says.

In the US, fund management styles and the absence of a single, universal performance benchmark have created a more hospitable market for custodial banks to make inroads into that market. But in the UK, the "balanced" pension fund portfolio where the fund manager, not the client, decides the asset allocation, is the norm.

For this reason, consultants conjecture, the UK has retained a performance measurement system which has been able to develop broad benchmarks covering a high percentage of all market participants. Unlike the US, it is possible to gain a fairly accurate picture of the achievement of the "average" fund manager in total returns and the range of peformance. However, there are few asset-specific benchmarks making it difficult to learn, say, how the average international bond portfolio manager performed. Thus, in the UK there has been little sign of custodians making significant inroads into performance measurement. Pension schemes simply do not need the service custodians are offering.

The UK market is dominated by two organisations: Combined Actuarial Performance Services (CAPS), owned by the four largest pension consulting firms, and WM Company, owned by Bankers Trust.

Earlier this year, Bankers Trust replaced the long-time chairman of its WM subsidiary with a senior BT official, Charles Kiley, and said it would like to obtain better synergy between the service and its global custody operations.

Mr Kiley acknowledges the differences between the two markets. "We need to develop different products and services for the two markets. They want different things." US clients "want to get down to the performance of the individual securities, not just portfolio measurement". They want to know what each stock or bond contributed to overall performance.

WM does have several specialised products, including its new PerFx product which measures the contribution foreign exchange made to performance. Also, in the GlobeMaster product, WM does the performance measurement side of the custody service and WM markets its performance measurement capabilities to other custodians as well.

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Securities lending: **Norma Cohen** on the value of this bolt-on service

Cash-generating practice

Of all the services global custodians provide, none causes as much interest as securities lending.

This is the business where an efficient custodian can earn enough cash to be able to offer a new client a basic service almost free of charge.

"There is only one bolt-on service which is of value to the provider and that is securities lending," said John Lee, partner at Lee Schwartz Associates, a consulting firm specialising in custody. "There is an increasing nnmber of custody contracts tendered for on the basis of 'We will do the custody for free if we get the securities lending bit'," Mr Lee said.

However, some custodians are cautioning against linking pricing decisions too closely to securities lending. "Securities lending does influence pricing decisions," said Dick Feehan, managing director at Bankers Trust's European global products division. "But the structure of a portfolio can change overnight," he warned. It may be reconstituted in a way which offers far less potential for lending than had been thought and the custodian could be underpricing his service.

Securities lending offers clients a chance to earn not only a rate of return on the loaned securities, but on the investment of the collateral held against it.

Yet, custodians say, even after years of successful stock lending in the US which has enhanced returns and cut operating costs significantly, many UK pension funds remain wary of the practice.

Demand for loaned securities – both equity and debt – has been driven by the growing use of derivative instruments by fund managers and securities houses. These encourage investors to take short positions – that is, to sell securities they do not own – and there are times when investors need to borrow stock to fill a short position.

Also, international stock lending has been driven by vastly increased interest in emerging and less efficient markets by US and UK investors. Investors willing to lend Spanish securities, for instance, may earn up to 3 per cent of the value of securities loaned reflecting both market inefficiencies and the relnctance of domestic investors to lend in an environment of legal ambiguity about the status of the practice.

Inefficient, paper-based markets also offer great potential for lending at high margins.

Brokers eager to sell shares to clients find they may not be able to obtain them outright and borrow them from intermediaries to make good delivery.

As more investors become willing to lend, margins come down. In Japan, for instance, margins have fallen from three percentage points a few years ago to roughly 0.3 per cent at present.

"Securities lending has become a much bigger part of the business," said Charles Cassidy, senior vice-president at State Street Bank in charge of financial asset servicing in Europe. State Street has roughly $200bn in custody accounts which clients have given permission to lend.

"That is a significant increase over the past year when we had about $30bn in total that clients were willing to lend," he said. About 25 per cent is out on loan at any one time, he said. The biggest participants are the large public sector pension funds whose knowledge and sophistication are rapidly increasing.

However, in the UK clients are far more reluctant. "We do very little lending in the UK," he said. Partly, that reluctance might reflect the relatively low returns earned on domestic stock lending. Whils margins are also low in the US, volumes are so large that investors who do participate earn quite attractive returns.

Mark Weeks, marketing director at London Global Securities, an independent stock lending intermediary, notes that in the UK, the disappearance of more than £440m from pension funds formerly controlled by the late Robert Maxwell had tarnished the image of stock lending and given trustees a justification for avoiding the practice. "In a relatively risk-free environment, you can make a certain amount of money. So why would you turn it down?" Mr Weeks argues. London Global is one of the few lending intermediaries which acts as principal in stock-borrowing agreements, a status which many pension trustees say gives them greater comfort. If the borrower disappears with the stock, London Global makes good any loss.

Moreover, all stock lending – unlike that allegedly carried on by the Maxwell-controlled pension funds – is collateralised.

London Global, an unusual outfit in that it unbundles the custody activity from that of stock lending, passes the collateral it receives back to the lender, who is then free to invest it as he sees fit.

However, the common practice is for the global custodian to invest the collateral. This is not a totally risk-free activity as Chicago-based Harris Trust found out earlier this year.

In the second quarter of 1994, Harris took a $33m write-off to reflect more than $51m in losses stemming from a decision to invest held against client loans of securities in volatile collateralised mortgage obligations.

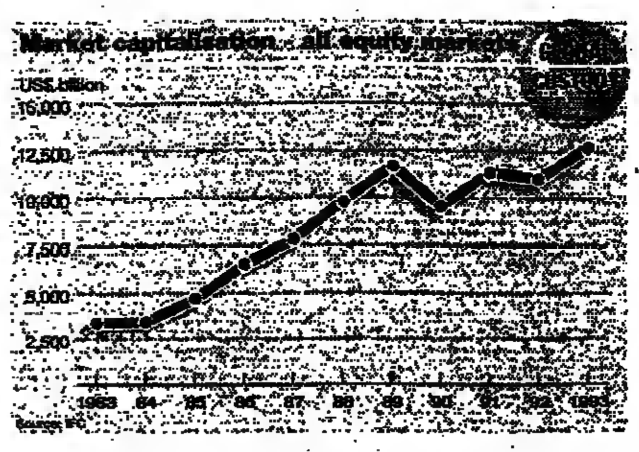
While these offer relatively low counterparty risk, they face significant market risk and fell sharply in value when interest rates rose earlier this year. Harris, which says it ranks among the top US-based global custodians, "made whole" all of its clients which had sustained the losses. Moreover, a spokeswoman said that Harris has revised its internal risk management procedures as a result.

Typically, Mr Weeks notes, there are three types of collateral which institutions regard as acceptable. These are cash, letters of credit and Treasury bills. Mr Weeks says because client agreements usually promise an end-client a set rate of return, say 3 per cent, there is an incentive for custodians to try to earn an extra turn for themselves by investing in modestly riskier investments.

Settlement Index*
Major markets

Country	Volume (% of total trades)	Settling (% on SD)	Benchmark Q2 94	Benchmark Q3 94	% change
Australia	5.79	97.80	95.23	96.30	1.12
Belgium	0.42	84.97	83.99	73.93	-11.98
Canada	8.30	96.34	89.25	96.76	8.41
Denmark	0.63	90.02	89.81	80.58	-10.28
France	0.80	89.69	79.72	84.39	5.86
Germany	0.93	89.96	82.18	89.06	8.38
Italy	0.94	93.29	82.42	90.05	9.26
Japan	6.68	94.36	93.45	95.80	2.51
Netherlands	1.52	87.00	92.45	66.11	-28.49
Spain	0.50	90.80	92.52	83.07	-11.04
Switzerland	0.20	79.54	89.82	56.56	-37.03
UK	16.46	95.27	91.37	91.94	0.62
US	18.28	97.10	92.63	97.34	5.08
Eurobonds	37.57	85.26	60.57	66.68	10.08

*The purpose of the settlement benchmark is to provide a means of comparing the settlement efficiency of different markets and to track the evolution of settlement performance in individual markets over time. The benchmark incorporates the four components which, combined together, reflect the overall cost to market participants of failed trades. These include average trade size, local market interest rates, the proportion of trades that fail, and the length of time for which they fail. By converting information back into a base currency, comparisons between markets become possible. The benchmarks are expressed as a score out of a maximum 100. The lower the score the higher the effective operational costs of failed transactions in any given market.
Source: GSCS Benchmark



Derivatives: **Richard Lapper** on the growth of the industry

Custodians face rising demand

The rapidly growing derivatives industry has faced some setbacks this year, with a string of highly publicised corporate losses and two legal actions denting its image.

Yet underlying growth in the use of derivatives – both simpler options and futures traded on exchanges and the more complex swaps and packages bought over the counter – has continued apace.

As a result the demands on banks to adapt their custodial functions to accommodate derivative instruments are rising. Global custodians are in little doubt about the pace of change.

"We have seen a hnge increase in interest among certain types of client, including fund and investment managers who are looking to get the custody of traditional securities and derivatives in one place," says Aidan Dennis, vice-president global securities services at Chase Manhattan.

"Two years ago nobody used to ask about derivatives when they submitted a 'request for proposal' [industry jargon for the detailed proposals made by clients to their custodians]. Every request I have received in the last six months has contained something on derivatives. It is quite unbelievable. Everyone is asking for it," adds Mr Dennis.

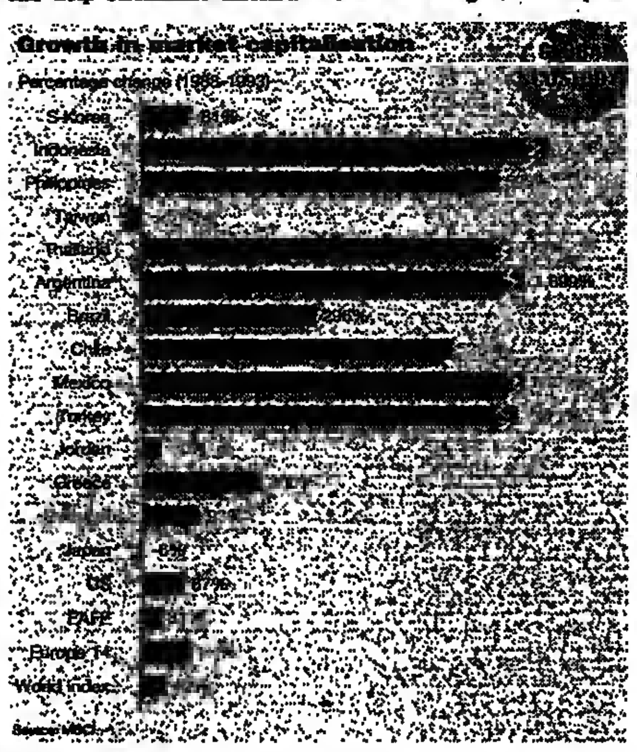
"Up to two years ago there was nothing on derivatives. It is beginning to appear now," says Dick Feehan, a managing director at Bankers Trust. "There used to be a dichotomy between the rocket science grand masters who were designing the products and the back offices who were reporting on them. That gap no longer exists," he adds.

Increasingly fund managers – even at conservative investment institutions such as UK life offices – are using derivatives, for purposes such as tactical asset allocation. Bankers Trust estimates that up to 50 per cent of fund managers with more than $500m under management are using or reviewing their use of derivatives.

The pressures on custodians who have traditionally supplied a range of core services such as settlement, safekeeping, dividend collection and tax-related services for physical assets are growing.

"Custodians tended to adopt an ostrich approach and duck their heads in the sand. They can't do that any longer," says Mr Feehan, who adds that the demand for derivatives-related services is part of growing interest in other "value-added" services, such as accounting, valuation, foreign exchange, and cash management.

Indeed, global custodians can help streamline information gathering, reporting and accountancy procedures. A custodian, for example, can facilitate central clearing of all contracts traded on an international exchange such as Liffe or the Chicago Board of Trade. This can help consolidate and streamline the payment of margin, the capital needed to uphold positions.



"The whole idea is to get all your positions with one global clearing broker rather than with a multitude of brokers round the world. You get all the information in one place," explains Mr Dennis. "Without centralised brokers you could be paying margin to 16 different places – you could be getting 16 sets of reports back and the back office would be swamped."

Custodians can also help traders manage their trading positions better by more effective use of netting off – offsetting different sets of credits and debits.

"A custodial system can make it easier for investors to manage their physical and derivative assets in a more effective way for reporting purposes. If you are long individual stocks in the FTSE and short FTSE futures contracts – then from an exposure viewpoint you would need to net the positions off," adds Mr Dennis.

Mr Feehan also emphasises the value of uniform reporting. "Some organisations come to us who are investing in derivatives, but who are putting their investments ont with seven or eight separate fund managers who specialise in different areas. We can supply a combination of reports to cover and consolidate the whole portfolio," he explains.

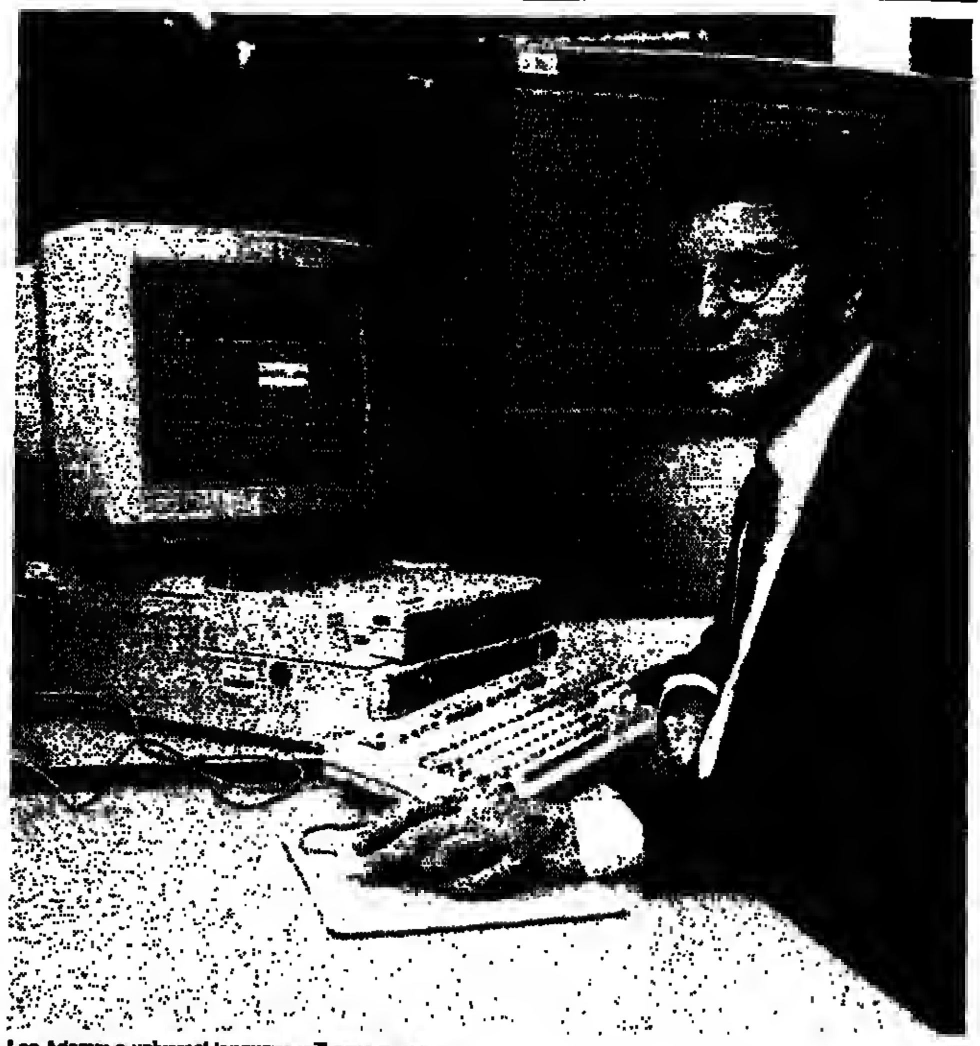
Again with exchange traded products, investors are moving towards a single point of settlement and clearing. "This is for convenience, cost and reporting," adds Mr Dennis. "A single information flow is what it is all about. It should allow them to make better investment decisions."

Not all banks are up to meeting the challenge. The complexity of the instruments involved, and their relationship with the rest of an investment portfolio, requires more sophisticated reporting than straightforward equity or bond trades, as well as strong operational support.

Practitioners emphasise two problems in particular. First, the accounting treatment for derivatives can vary from that of other securities and may vary from region to region. "For example, it is very common to account for securities on an average cost basis, but most customers run their

Continued on page 7

GLOBAL CUSTODY 7


Lee Adams: a universal language will save money

Technology: **Sheila Jones** on a common language

Getting the right message across

The Holy Grail of the custody industry is a universal language that will enable operators to talk to each other across the globe unhindered.

Armies of people representing custodians, fund managers, and a host of other groups have been meeting in Europe and the US in an attempt to establish common messaging standards in the way trades are confirmed and settled. They want a language to carry the billions of pieces of information, or messages, about transactions daily between custodians and their clients.

Most people in the industry agree that the need to speed processing through a universal language is urgent, particularly as settlement periods become shorter.

"When 30 per cent of your messages are on free format [unrecognised universally], and you're having to interpret them and then rekey them, that is what the urgency is about," says John Gubert, senior manager of group securities services at HSBC Holdings.

A language is needed to carry the billions of pieces of information about transactions daily between custodians and their clients

"A universal language allows yon to receive messages and read them without buman intervention. It takes out the time needed to manually load messages, and it removes an element of error wben messages are being rekeyed. It speeds processes at a time of faster and faster settlement."

Mr Gubert predicts that by the end of the decade, 50-60 per cent of trades will be settled on the day of trade, and the rest within three days.

Lee Adams, a vice-president at Citibank responsible for prodnct development, echoes Mr Gubert's view: "A fund manager told me recently that they dealt with 40 different custodians – unless those 40 custodians agree to use tbe same format, the poor fund manager is going to be receiving messages possibly in 40 different languages."

Mr Adams also believes a universal language will save money, increase efficiency, and reduce risk. It will "close the loop" in the industry's automation.

The main industry body working on standards is the Industry Standardisation for Institutional Trade Communication (ISITC), an independent forum of representatives in the US and Europe. Tbe ISITC works closely with Swift, the dominant message network provider, in looking at building on Swift messages, extending their use across the industry and creating new standards. A primary role is to develop formats for messages thet can be used across a range of networks throughont the global industry.

The ISITC is making progress, according to one analyst, "but it is a bit like watching a swan on water – it is serene on the surface, but its feet are working away underneath".

The ISITC's work, and that carried out by other groups, is co-ordinated by the Securities Standards Advisory Board, which was set up two years ago to bring together the various strands of work already under way.

Mr Gnbert fears that attempts to create a universal messaging system are being hampered by the perceived need for consensus. He believes the industry needs to find a fast-track route, which means "in some ways being dictatorial".

"The trouble with consensus is that if custodian A wants to use eight characters as an ID code and B wants to use 12, there is no possibility of a consensus, so you need an arbiter/dictator," he says. "Inevitably that will be the big boys, and people will squeal like mad, but they are the ones handling the bulk of messages. You bave to do it with a small group of operators to get standards on networks which are then used. That's effectively what the ISITC is doing to a great extent."

Many in tbe industry acknowledge there is mucb co-operation between the various bodies involved in creating messaging standards, but some also fear the process is bureaucratic and slow moving, and that work on standards is being fragmented and duplicated. Rivalry between different standards groups has created a "bugger's muddle", according to one custodian.

Simon Pilkington, chairman of the ISITC in Europe, says he believes some of the criticism stems from "misunderstandings and confusion" about the position of the various groups in the process and with each other.

The ISITC agreed an equity and fixed income standard in September last year, and its working groups are now looking at tbe other main areas: reconciliation and corporate actions, derivatives and foreign exchange. Lee Adams, at Citibank, sits on the ISITC's corporate actions working group. He says a draft standard for a type of mandatory corporate action should be agreed by the end of this year, before going to the implementation stage.

Mr Gubert believes any one of three outcomes is likely by the end of the decade: the status quo; a technical solution that is too technical for the users; or a fast-track solution dominated by the largest operators.

"World number one is the one in which there is total confusion – as there is at the moment – as to what a precise standard is." Different custodians communicating in their own, proprietorial, language is costing the industry "millions of dollars", says Mr Gubert. Each message has to be translated, by computer or manually. For small operators, the big costs could come on the capital side as new standards are implemented and systems have to be upgraded or replaced.

Consensus, while hard to achieve, is the only way the industry as a whole can embrace new standards and make them work

"The second world is where we see the emergence of e massive data dictionary – a bible – which people find very difficult to understand and to implement. So we will have a technical solution but the solution will be too complex."

Mr Gubert's third, and favoured option, is the emergence of a fast-track of a limited number of operators that already bandles most of the business. "It has to be a very prescriptive mechanism to implement standards that will cover the vast bulk of our message requirements."

He acknowledges this could create culture and status problems: "People don't like being left off tbe list." But he believes it is the only realistic approach and tbe one most likely to satisfy the needs of the largest portion of the business.

Yet others argue that consensus, while hard to achieve, is the only way the industry as a whole can embrace new standards and make them work.

"To make this work we need to get as wide an agreement and as wide a participation as possible," says Mr Adams. "Everyone's got everything to gain. If we don't do this, we will be just right back where we started, so we tend towards the 80-20 rule: If you try to antomate everything you're going to fail, and fail big-time. You've got to concentrate on what is really important."

Custodians face rising demand

Continued from page 6

derivative portfolios on a first in/first out basis," notes Mr Dennis.

Second, the industry has a considerable amount of work to do and this suggests the need for standardisation. In the secnrities bnsiness practices have been partially harmonised and there bas been a move towards the use of international security identification numbers.

Unfortunately there are no comparable standards existing in the derivatives markets and this is partially because of the life span of derivative products.

"With tbe addition of a variety of strike prices and delivery months there may be more than 50 different contracts available on the same underlying instruments at any given time.

"Clearly the amount of time and effort reqnired to maintain individual codes for such e nniverse wonld ontweigh the benefits of standardisation," points onr Mr Dennis.

"But the need to standardise the methods of communication remain as does tbe need to have a standard metbod of creating international security identification nombers," he adds.

GLOBAL CUSTODY 8

Although the flow of funds into the world's emerging markets has eased in 1994, following a phenomenal burst of activity during 1993, their attractiveness as long-term asset investments remains undiminished.

According to Standard Chartered Bank the size of emerging markets in terms of market capitalisation is set to double in five years, from its present level of around $2,000bn; while other commentators point to the fact that if the economies of the world's emerging markets continue to develop at the rate of growth witnessed recently then, in about 20 years' time, they could account for around half the world's equity market capitalisation.

No wonder then that custodians have, in general, not seen a significant slowing in the generation of business, particularly as fund managers explore the possibilities of entering hitherto uncharted countries.

While risks remain in many markets custodians note that in some cases settlement can actually be easier to execute than in some developed markets. For instance, says Paul Bellamy, manager in custody operations at Robert Fleming, some emerging markets are already Swift-orientated, particularly in the Middle East, and have already moved to paperless trading systems.

Nevertheless, it is clear that significant problems arise when investing in such frontier markets as Russia. Citibank raises a cautionary tale regarding Russia where demand is not necessarily supported by the accessibility or availability of securities. There is no traditional equity market at present with a voucher system in operation. "The only way of ascertaining whether an investor owns vouchers is to obtain a photocopy of the investor list from tha registrar," says the bank. "A photocopy provides no comfort that one is actually the beneficial owner of the vouchers and the law is unclear on these issues. On the one hand, there are huge potential returns to be had, but these could prove to be worthless if the voucher is also owned by three or four other investors."

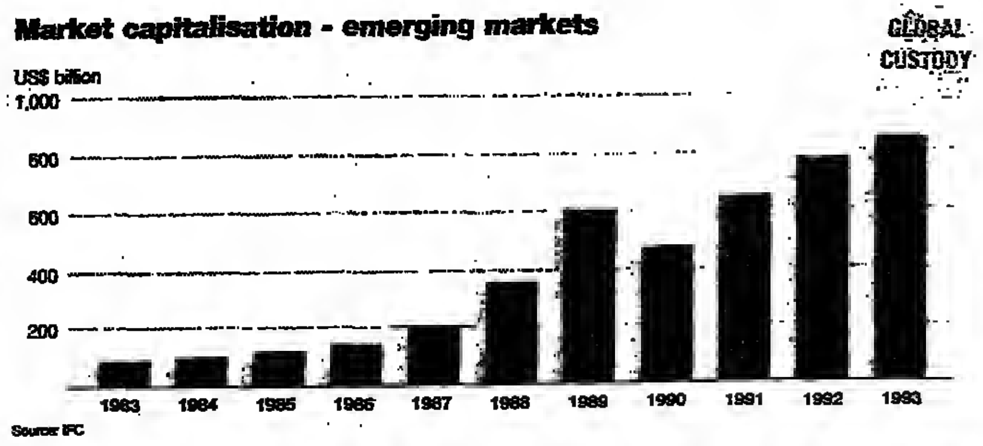
Mark Mobius, of Templeton Emerging Markets Fund, notes that the question of risk allocation and control has not been fully and completely addressed.

"In the corporate arena the challenges are great indeed.

Emerging markets: **John Pitt** on the risks encountered in some countries

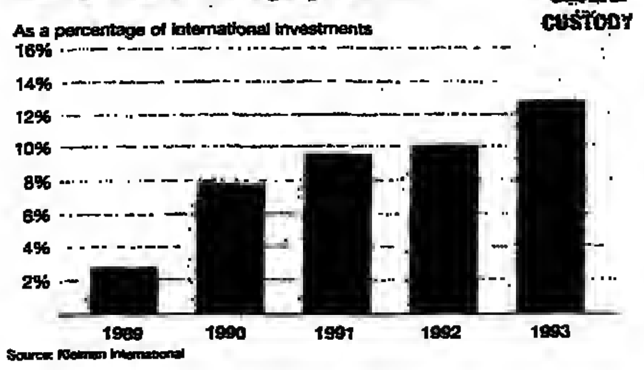
Frontier areas pose problems

Market capitalisation - emerging markets



Source: IFC

Allocations to emerging markets



Source: Kleinman International

The first difficulty is identifying the existence of those corporate actions, when they are taking place and what are the 'ex dates' and 'pay dates'. Information flows about such matters are not ideal in emerging markets so that the custodian's task moves to a high level of difficulty necessitating an extra degree of care not normally associated with custodial responsibilities.

"Co-mingling of client accounts by custodial banks presents another challenge to emerging market investors. It is clear that in many accounts in emerging country sub-custody banks, assets of different investors are co-mingled so that in the event of mishap such as counterfeit securities, tracing the actual owner of the worthless securities becomes a major problem. Clients should demand separated accounts to ensure the viability of their holdings."

Another important problem is the lack of foreign exchange convertibility. Venezuela is a typical example where there is no procedure for repatriation, while in South Korea, since the currency is not traded in London, for instance, conversion can only be done in Seoul, and custodians are dependent on a sub-custodian.

Karen Janes, vice-president, regional network manager at Chase Manhattan Bank, also illustrates the example of Morocco.

"Morocco is an old-fashioned physical market, and the main problem here is to do with foreign exchange. For instance, settlement on the stock exchange is T+1 but there is no way that an investor can get foreign exchange process in that time – it is more like T+4. The way round this is that people agree to trade a few days ahead, agree a price and book the trade for a few days later when the forex deal has been completed."

She remarks that growth in activity has been seen this year in eastern Europe and Africa, both north and south.

In Africa the most prominent countries attracting investment have been Morocco, Egypt, South Africa, Zimbabwe and Botswana.

In eastern Europe there has been an increasing interest in Hungary and the Czech Republic. The latter has not been an easy market to open, but having managed to get into place, Ms Janes says, Chase has seen a growth of interest, even though it will be some time yet before the country is ready to open for foreign investment.

Chase has been working with a local bank in the Czech Republic, although there are some basic problems in the way the market is structured. "For example," she notes, "the local sub-custodians are not able to have accounts in the central depository: it has to be the investors themselves.

This means that you have to set up powers of attorney allowing the sub-custodians the legal right to settle the trade when they physically go to the central depository.

"In the Czech Republic the majority of trading happens off market, with a few large trades. It is supposedly a scripless system, but to ensure that you are actually getting settlement you have to physically go to the central depository and witness the confirmation. However, this process should change over time and there will eventually be on-line settlement."

India has long been a significant problem for institutional investors. Sanjit Talukdar, head of the India desk at Foreign & Colonial, observes that problems with custody have been one of the biggest obstacles to the development of the Indian markets.

This year, for instance, close to $100m has been turned away because of custody problems. International fund managers cannot use local custodians because often they do not meet international regulations.

With deregulation of the market, foreign institutions and private sector mutual funds have become active, largely interested in block deals off market in B shares, which have a seven-day account cycle.

Since these trades are not executed through the exchange, prices are not transparent. Paradoxically, therefore, India is one market where transparency has fallen with the rise in turnover, he says.

Another problem endemic to India is the sheer volume of paper work generated, the main reason why more and more trade has successfully moved off-shore into global depositary receipts GDRs, which the Indian authorities have been happy to see take place.

There are vested interests against change, such as the establishment of a central depositary system. This would, in western terms, be the best solution to the current difficulties.

Next best would be instead of trying to get rid of the system as it stands, trying to tweak it at the edges.

An attempt to do this has been the introduction of so-called "jumbo certificates". Typically, Indians deal in small lots, that is 50 to 100 shares. The jumbo is a deal of at least 1,000 shares, but because the retail market is not used to dealing in such large amounts a different price is fixed.

Many custodians expect to see an increase in volume, since the allocation of funds to emerging markets is rising regardless of whether the markets themselves are going up or down. Citibank, for instance, has plans to expand its custody network to include 20 more countries by 1996, including the opening of a safekeeping facility in Moscow and custody services in a number of African countries.

Chase's Karen Janes suggests that investors have to be open-minded regarding investment in new emerging markets and to work with them. Chase, she says, spends a lot of its time training sub-custodians.

India: **Naazneen Karmali** discusses antiquated procedures

A paper mountain

Inadequate custodial capacity is a significant road block to foreign portfolio investments in India's stock markets. The value of such investments, which have been permitted by the Indian government since January 1993, were $2.75bn at the end of September 1994. While this figure represents only a small percentage of the total market capitalisation of $100bn, it is expected to increase steadily. It is estimated that portfolio investments and Euroissues by Indian companies would amount to $6bn-8bn by March 1995. The number of foreign institutional investors registered with the Securities Exchange Board on India (Sebi), the regulatory authority, has increased from 136 to 229 since January this year.

The entry of these large investors has put tremendous pressure on the few banks that provide custodial services. They find that their sophisticated systems cannot deal with India's antiquated settlement and transfer procedures. Transactions are heavily paper-oriented and require physical delivery of shares. Each share certificate has to be individually signed along with a transfer deed. What makes it more cumbersome is that marketable lots are small. The Bombay Stock Exchange, for example, which accounts for 70 per cent of the trading in the secondary market, recognises lots no larger than 50 or 100 shares.

"The problem in India is that there's paper, paper and more paper," says Steve Page, senior manager securities services, Hongkong and Shanghai Banking Corporation. "It is a retail system that finds it difficult to cope with the demands of wholesale investors."

Last December, when foreign portfolio investment touched $1bn, custodians were overwhelmed by the masses of paper flooding through their doors. Confronted by a huge backlog in processing, they imposed strict trading limits on their clients. New business was turned away.

To cope with the increased workload, custodians have been building capacity by hiring more vault space and staff. Hongkong Bank and Citibank, the two biggest providers of custodial services to foreign clients, have more than doubled capacity. Mr Page says that Hongkong Bank's vault space is 200 per cent larger and the number of people in his department has increased from 40 to 180. Some work has also been sub-contracted out.

All this has only been enough to meet the demands of existing clients. Trading limits have been revised upwards, but still exist. Custodians are not open for new business as yet. Mr Page says that there is a direct correlation between the number of shares and the number of people necessary to process them. The infrastructure costs of a custodial service in India are inordinately high and have kept other custodians away. Now service providers are slowly entering the market. Dentache Bank began operations last month and ABN Amro has announced that it will be in business shortly.

Standard Chartered Bank's Equitor Group began in a limited way last week. It now concentrates on servicing a small group of 15 important clients. The banks put a bar code on every share certificate to track it at every stage of processing. Colin Beattie, regional head of custody, south Asia, says: "We had to put such innovations in place before we reached a critical level. Bringing off-the-shelf systems are not any good for Bombay.

Indian banks and financial institutions such as the Unit Trust of India and the Housing Development and Finance Corporation, are keen to establish custodial services. The State Bank of India, the country's largest public sector bank, has opened a securities services branch in Bombay that is custodian to some off-shore, country-dedicated funds.

The custodian with the largest capacity is the stock Holding Corporation of India, a company launched by Indian financial institutions in 1988. It could take on more business but is constrained by its small capital base of Rs210m from seeking foreign clients. The corporation's custodial assets of $23bn belong to domestic mutual funds and Indian financial institutions. Last year, it processed transactions worth $2.3bn and Mr R. Chandrasekaran, managing director, expects business of $5bn this year. He says that by the third quarter of 1995 a new depository will be constructed near Bombay with a capacity to hold 350m share certificates. This will have an automated storage and retrieval system on a par with international standards. The corporation is keen to collaborate with a global custodian as that will allow it to take on foreign clients. Morgan Stanley is a possible partner.

Foreign custodians believe that solving problems is at best a temporary measure and does not address the more systemic issues. One way forward, they have suggested, is to introduce institutional board lots of 1,000 or more shares. While the idea finds favour with Sebi, fund managers and brokers have been resisting it. They fear that their holdings would become illiquid and this would result in the additional headache of having to split large certificates into smaller ones.

To ease the paperwork, custodians were earlier allowed to introduce jumbo transfer deeds that covered each transaction. Companies have also begun issuing jumbo share certificates, though the Bombay Stock Exchange does not accept these as good deliveries. Sebi has recently approved the proposal that custodians trade institutional board lots between themselves.

This would bring down the risk factor relating to bad deliveries which amount to 20 per cent at present. Delays in settlement, which occur eight times out of 10 would get eliminated. Mr Page says that in a few cases, shares are rejected by registrars and have to be sent back to the brokers. This increases risks to investors who have to wait six months before shares are registered in their names. A two-tier market would reduce problems all around. Custodians say that if the institutional market does kick off then it would lead to a paperless trading system and a central securities depository.

The government is expected to introduce legislation on a central depository by the year end. The option of multi-depositories, one for each region, is also being considered. The stock-holding corporation would like to be appointed as central depository and is working towards it. Fund managers do not expect this to happen quickly.

Russia: **Nicholas Denton** discusses the challenges of the final frontier

Where 'dead souls' and fake shares abound

Custody services tend not to be noticed when they work. They are the poor cousins of the securities industry, consigned to the back office and ont of the spotlight.

Only when safekeeping of securities and settlement of transactions are flawed does it become clear how vital they are to functioning markets. And in few places is custody less developed, and more of an issue, than in Russia. Observers call it "the single biggest deterrent" to western investment in Russia.

None of the usual assumptions apply. Russia has no paper traded system because share certificates do not exist. Instead, the evidence of ownership is a name in a registrar's book. For a share transaction to take place an agent, or agents, for both buyer and seller have to go physically to the company's registrar and re-register ownership.

That is easier said than done. There are about 3,000 registrars and those for many of the most attractive companies, the energy giants, are far from Moscow and St Petersburg.

> There is no paper-traded system because share certificates do not exist

This logistical morass has given rise to a mini-industry in the sale of shares by brokers who do not actually own them. Apart from physically inspecting a share register, the only evidence a purchaser has that he is buying shares from their rightful nwner is an extract from the official share register.

But, as a western banker in Moscow explained, "if you are willing in pay for an extract, you can get as many as you like". So, although none admit to having been duped themselves, Russian bankers say that some businessmen, particularly in the provinces, are doing a steady trade in fake extracts. The unfortunate buyers learn they have been deceived only when they try to add their names to the official register and discover that their vendor does not appear.

These fake extracts are coming to be known as "dead souls" in a reference to the eponymous 19th century Russian novel hy Nikolai Gogol, whose hero bought up documents establishing his ownership of serfs who were no longer living. After the liberation of the serfs the Tsarist government compensatsd their former owners, a scheme which Gogol's hero cashed in on, using his proofs of ownership of "dead souls".

But even for careful investors, who avold buying fake shares hy sending their agents to personally inspect tha share register in Siberia, or wherever it happens in be located, the difficulties have only begun. A registrar is allowed to take up to three days in alter the books and the agent may have to hang around and queue. The official is allowed to charge a transaction tax and the rate can reach as high as 5 per cent of the value of the deal.

That is, if the huyer is lucky. The official will somstimes decide that a piece of paperwork is missing and send the agent back to Moscow. Some companies such as Gasprom, the Russian gas giant, can obstruct by exercising its right of first refusal and offering a laughabls price in the seller.

Getting hold of shares is difficult enough; safeguarding them is a more fundamental problem. According to Russian law, any enterprise with more than 1,000 shareholders is obliged to entrust its register to a "separate" organisation. But, in practice, many of the registers of Russia's largest factories are controlled directly by the company and are often located in the company's headquarters.

The overpowering fear of western investors is that their shares will disappear from the record. A registrar, influenced by the issuer, could in theory just say that an investor had sold its shares. The registration book could be stolen or destroyed in a fire. "It could be an effort to defraud, to lie, or just a simple error," says Ms Yvonne Rogers, head of settlement for Chase Manhattan in Moscow.

That is precisely what Transworld, a London-based company which dominates the Russian metals trade, alleges occurred at the Krasnoyarsk Aluminium Smelter, one of the world's largest aluminium producers. Transworld alleges, and factory officials confirm, that a 20 per cent stake in the smelter (worth $300m) controlled by Transworld proxies, was deleted from the records by factory administrators.

Officials at the Krasnoyarsk smelter say they deleted Transworld holdings from their books because of irregularities in Transworld's initial purchase of the shares. But western investors are troubled by a system which gives factory directors – who are often hostile in outside buyers – the unilateral anthority in alter shareholder registers.

This danger can be minimised by regular audits by the custodian of the registrar and confirmation of the shareholding. Bnt that does not prevent over-issus: whereby the registrar arhitrarily creates new shares and dilutes an existing owner's stake.

Regulators, rather than custodians themselves, ought to be dealing with abuses by registrars but they do not. One custodian says: "The regulatory regime is appalling. It has as many holes as a piece of cheese. And the anthorities don't enforce any of it anyway."

The problems do not stop there. Collection of dividends, a customary responsibility of custodians, adds a new layer of work. Some Russian companies, lacking liquid assets, offer their products as a dividend payment. A vacuum cleaner company would issue a dividend in vacuum cleaners.

Money dividend payments are complicated by the inadequacy of the banking system. A bank transfer does not generally make clear the source of tha dividend payment which can be confusing for an investor with a varied portfolio.

An investor, or its custodian, faces a challenge, too, in learning of shareholder meetings. The postal service is inefficient and often ootification arrives after the event takes place. Companies are obliged to publish details of shareholder meetings in a widely-read publication hut many print the information in the local works newspaper and leave it at that.

No wonder one custodian says: "You need a good sense of humour." But many serious investors are not laughing. Paul Greatbatch, of emerging markets fund manager Genesis, says: "We have chosen not in go into Russia on the basis that there is no suitable custody. There is no one there that can guarantee you title to the shares that you own."

> The fear of western investors is that their shares will vanish

Pension fund investors are even more cautious and US-based institutions have a legal requirement to ensure that custody and settlement are secure. "We clearly need proper custody for the hig institutions in move in," says Nancy Curtin, head of emerging European markets for Barings Asset Management.

The hunger of western institutional investors for Russian shares, together with their concern about custody, give birth to a significant opening for providers of custodian services. CS First Boston, the leading international investment bank in Moscow, has built its dominant market position on the comfort it provides for western investors.

Bnt CSFB's custodian services ars secondary to its broking operations and institutions prefer to deal with independent custodians. Banks such as Chase Manhattan, Citibank and ING Bank are now responding to demand and exploring the establishment of asset servicing units.

Costs will be high. Chase Manhattan expects to hire six staff just to fly to distant corners of Russia and register shares. A flight from Moscow to Vladivostok can cost $650 and hotel hills for extended stays add up. Nevertheless fees will be commensurately above western levels. Custodians in any case say they are setting op Russian operations to provide a full service for international clients rather than to make fat profits.

Then there is also the challenge. Russia is the final frontier. Bnt Yvonne Rogers, of Chase, is not so sure that custodians, moch-maligned for being boring, will find excitement in the east. "Custodians are a conservative bunch. I'm not sure whether this thing is good for their heart rate."

The Pacific Rim: **Louise Lucas** on the eastward-bound stampede

Unravelling the nightmare

When Barton Biggs, Morgan Stanley's global strategist, turned maximum bullish on Asian markets, he sparked an eastward-bound stampede into a part of the world which was ill prepared for floods of foreign money. Paper-based systems huckled, bottlenecks expanded and, in some cases, custodians caught in the middle were forced to close their doors to new business.

As Darwin Doo, director of institutional services with Standard Chartered Equitor Group, says: "The good fortune of markets turns out to be a nightmare for custodians."

Standard Chartered Equitor Group, like Hongkong Bank, operates in the region as a sub-custodian handling on-the-ground execution for the globals who do not themselves have an agency network, such as State Street.

"If it is a paper-based market, then as a sub-custodian you are always vulnerable to sudden increases because those markets are less efficient. In other places where there is a central depository, such as Hong Koog and Thailand, it is relatively easy to absorb large volumes," says Jeremy Davies, senior manager for Asia Pacific Securities Services at Hongkong Bank.

On the Kuala Lumpur stock exchange, turnover on April 15 1993, just before the boom, was a typical US$0.96bn. Less than a year later, during the peak at January 5, it had surged to US$2.02bn – higher than Wall Street.

Equitor Group was closed to new business in Malaysia for six months, after expanding the local staff base to 225 at the peak (in March this year) from 45 at the beginning of 1993. Citibank, after closing its doors in Malaysia, is now open on a selective basis.

Even worse prohlems were encountered in India, where a US$250,000 deal can translate into a truckload of scrip, bringing an "unduly high" degree of risk to the custodian and his clients.

> 'The western institutions are the most demanding investors the Asian markets have met'

Says David Handmakar, vice-president at JP Morgan in Hong Kong: "The western institutions are the most demanding investors the Asian markets have met. They invest huge amounts of money, they come from mature markets and expect things to look as clean and as easy through the global custodian on a new market as happens on the stock exchanges of New York or London. Their job is to seek returns and they cannot sit and wait for custodians to make the markets efficient."

But the markets are becoming more efficient, as governments – often advised by the custodians – seek to eliminate the problems of the past years. In the Philippines briefs have already gone out to tender and Indonesia plans to move to a central depository system starting from the middle of next year. In Kuala Lumpur automation is already under way.

Other Asian markets were quicker off the mark, including Hong Kong, Thailand, Taiwan and Sri Lanka, which last put in fully autnmated and clearing systems before the floods of money came rushing in.

Among the emerging markets, China scores highest in terms of efficiency as the country's two exchanges started life with scripless systems. Custodians such as Citibank worked with the stock exchange in Shanghai to devise processes and procedures when it set up its central depository.

Christine Tam, vice-president of Citibank in Hong Kong, says: "In China we sat down with the stock exchange officials and went through the procedures with them and explained international investors' perspective and perception of risk. Then we helped develop a system to hox in those risks. This is the advantage of China over a paper-based system – it started with a blank piece of paper, so there was not masses of paper, registrars or existing processes to work with."

A further demonstration of the global custodians' role in weaning emerging markets towards maturity came when the Malaysian central bank, in a bid in quell speculation in the ringgit, insisted foreign banks with big ringgit deposits pay a reserve on those deposits – a move tantamount to telling foreign depositors their money would earn negative 3 per cent interest.

For the banks who were holding cash on behalf of investors waiting in buy stock this was a nightmare. Mr Handmaker says it was down to ths global custodians to explain the situation to investors, to absorb the 3 per cent levy, and in sit down with officials of Bank Negara and explain that not all deposits added np to currency speculation, but were instead a symptom of the settlement system then operating in Kuala Lumpur.

The flip side of greater sophistication and automation in emerging markets is that new entrants are enticed in and customers expect to pay less for the custodians' services.

Competition in Asia has grown, and custodians talk of pitches where the contract is carrisd off by ths manager quoting zero fees (looking to earn his living from added services such as stock lending).

Mr Doo says: "From what people are saying in the market place, there might be a big shake-out among the big global custodians in the coming two years. There are just too many competitors."

> The markets are becoming more efficient, as governments seek to eliminate past problems

For the global custodians it has also become more competitive, says Mr Handmaker. "Any pressure the sub-custodians are seeing, the global custodians see first. It is common for people to say in global custodians: 'You are just the conduit, why am I paying you so much money?' So the global custodian goes to the sub-custodian and cuts him down. Both the global and sub-custodians are always running to catch up."

Custodians are responding to this pressure by ensuring pricing is competitive and beefing up the services offered; both vanilla services such as information and trade settlement, and newer added valua services such as proxy voting (as pension funds, especially American ones, play a more active shareholding role), catering for individual investment decisions within pension funds, contractual income and settlement or stock lending. Demand for custody of fixed income instruments in the Asia Pacific regions is also expected to grow.

State Street, like Citibank one of the world's top five biggest global custodians, adds value in the area of technology, which it uses to produce high value custody services such as performance measurement and portfolio analysis, which looks at investment returns, risk, currency attribution, trade execution (for example comparing broker commission against strike price over a period of time to see how efficient hrokers are), soft dollar information, currency overlay managemant and universe comparisons.

Robert Williams, managing director of State Street in Hong Kong, says: "Very few clients only use us for custody. That cross-selling is what tends in protect your margins as your product matures. But part of it also is to keep the product young, in keep enhancing it."

Voting rights: **Norma Cohen** looks at the procedures for shareholders

The cost of making your voice heard

It is one thing for institutional investors to flex their collective muscles under the gaze of companies whose shares they own, but it is quite another to deliver the knock-out punch that sends an entrenched, inefficient and profligate management into the history books.

For that, investors say, what you need is a really good custodian, particularly if you are talking about making your voice heard at companies you own abroad.

Since 1988, the US Department of Labour has interpreted the Erisa laws, setting out the rules under which US pension schemes are to be administered, to mean that there is an obligation to scheme members to exercise their rights at companies in which they have a stake.

As a result, custodians estimate that US pension funds vote nearly all the time and on every issue which is laid before shareholders at domestic corporations.

Investors in other countries are far less diligent about voting their shares, but are increasingly interested. In the UK, the National Association of Pension Funds, through its Voting Issues Service, is calling shareholder attention to contentious items on corporate agendas at the annual general meeting. The NAPF says tha incidence of corporate voting has risen dramatically from the less than 20 per cent level recorded just a few years ago.

Voting on foreign shares by British shareholders, however, remains sketchy.

In July, the US Department of Labour clarified the obligations of US pension funds to vote their foreign proxies, saying that there is the same obligation to vote shares abroad as there is to vote them at home.

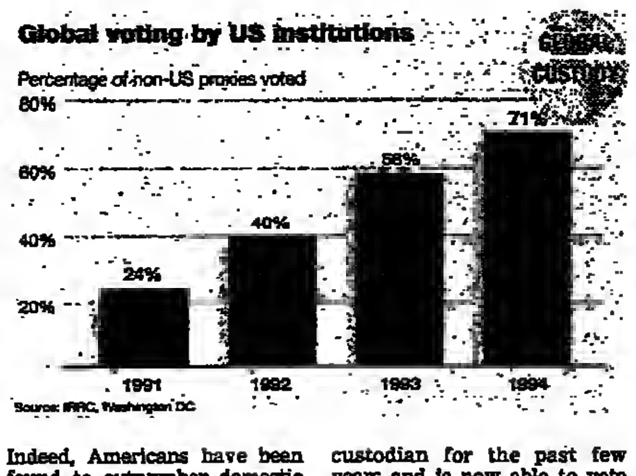
"What do clients want?" asked Meade Reynolds, manager of global corporate actions in the global custody division of Mellon Trust. "Basically they want a vote in every single market and at every annual general meeting in every market they are in."

Clients not only want to vote, they want to know the substance of issues they are voting on. For instance, Mr Reynolds said, if a new firm of auditors is appointed, clients want to know more about the previous firm. Also, clients want to see proof that their votes were actually cast.

Service of this type is clearly likely to be costly.

Steven Davis of the Washington D.C.-based Investor Research and Responsibility Center (IRRC), says the Department of Labour does offer one caveat. "The Department said that pension plan officials can properly decline to vote a proxy where they judge that the costs would outweigh any benefits," he said.

However, because several of the large public sector schemes had been actively – and successfully – prodding their custodians to cut the cost of overseas voting for several years, there are few markets where it can be said there is no obligation to vote, Mr Davis said.



Indeed, Americans have been found to outnumber domestic shareholder voters in markets such as Australia and the Netherlands where locals do not have the instinctive urge to vote their proxies so conscientiously.

Among large schemes, the state of Connecticut has been successful in working with its custodian for the past few years and is now able to vote in most markets in which it invests.

An IRRC study found that the percentage of non-US proxies voted has risen dramatically in the past few years from 24 per cent of all shares held in 1991 to 71 per cent.

Mr Reynolds said that Mellon Trust, which operates in 48 foreign markets, takes the view that corporate actions and proxy voting are part of the entire package of services which a sub-custodian takes on when a contract is negotiated. Therefore, there should not be additional significant costs associated with it.

State Street Bank has also been successful in negotiating contracts with sub-custodians which envisage no eddditional charges for proxy voting services.

Mr Davis notes that until recently, many sub-custodians had to be dragged "kicking and screaming" to perform the task of proxy voting abroad. Howavar, given growing client demand, some are now helping to alter rules in several countries which make the costs of voting unacceptably high.

Mellon Trust has compiled a list of the seven most expensive countries in which shareholders can exercise their voting rights, with Sweden leading the pack. There, an institutional investor must pay $300 to cast a proxy ballot at a meeting.

Mr Reynolds explained that in Sweden, the authorities insist that the beneficial owner of shares be the actual voter. This requires the custodian to obtain a power of attorney to vote on the pension fund's behalf.

Also ranking among high-cost centres is Greece, where a proxy vote costs $214, Finland, where the cost is $213 and Italy where the cost is $128. In Italy, physical representation at an AGM is required so the sub-custodian also incurs the cost of air fares and/or hotel bills in proxy voting.

Other expensive countries are Argentina, Portugal and Venezuela where the cost is $100 each.

"Only these seven countries appear to feature proxy voting costs high enough to raise questions about whether the effort is worth the expense," the IRRC said.

Other countries such as the UK, Australia and Hong Kong have made proxy voting easy and cheap, Mr Reynolds said.

But Mr Reynolds says that nowhere is it as difficult to exercise voting rights as in Japan. "In Japan, 85 per cent of all companies hold their AGM on the same day. Information is given out only two weeks in advance and instructions on voting must be lodged 10 business days before the meeting."

Given the difficulties of translating a large volume of documents, sending the translations to shareholders and collecting the ballot cards, voting in Japan is a logistical nightmare. In June this year, on the day when most AGMs were held, Mr Reynolds said he travelled to Japan to hand-deliver the proxy votes and to attend one AGM.

But Mr Reynolds says that US funds generally believe proxy voting is worth it. "In Singapore and Malaysia, where companies pass these outrageous compensation packages for former directors, the Americans are saying 'No way'," he noted.

Sub-custodians: who bears the risk? **Norma Cohen** considers the options

New areas where traditionalists fear to tread

There are probably as many ways to spread the risk in dealing with sub-custodians as there are sub-custodians to share it, says Alistair Reid, of Barclays Global Securities Services.

The question of who bears the risk and how much it should cost is provoking increasing interest among clients, particularly as they move their investments ioto new markets where traditional custodians fear to tread.

"In the area of risk, the question of sub-custodian risk has taxed the market for some time," said Valentine Feerick, head of global trust and custody at Mellon Trust Europe. "There isn't another business in the world where you hire someone to do a joh who isn't responsibie for the work of a sub-contractor."

For the UK's Prudential, which has excited the global custody industry by deciding to outsource its £40bn portfolio of UK and international securities, there was only one answer to the question.

"Sub-custodian risk is something we want nothing to do with," said David Hanson, a director of Prudential Portfolio Managers, the fund management arm of the UK life insurer.

In coming up with a short-list of 10 international banks to compete for the contract, Mr Hanson said it was made clear that a condition of winning the contract would be that the bidder assume the risk of any failure to perform on the part of sub-custodians. Any bank which was not prepared to go some way towards that goal was removed from the short-list, he said.

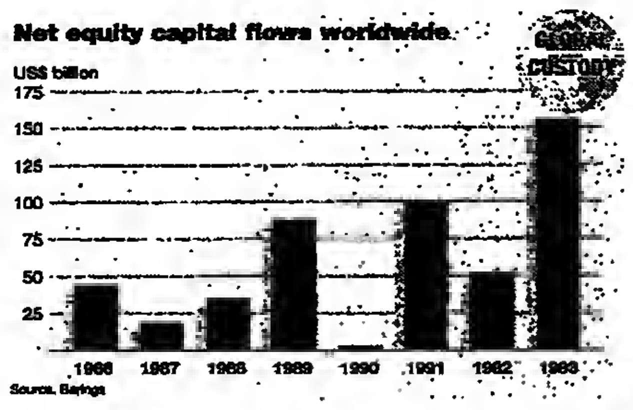
Of course, the Pru, with one of the world's largest global custody contracts to award, is in a secure position to demand exacting conditions of any bank. However, not all customers are in such an enviable position, nor are all of them snfficiently well-informed about the issue to make such a demand.

At Barclays, Mr Reid said, the bank stood behind its sub-custodial network, indemnifying clients against losses. Typically, Barclays uses its own branch network where possible, so that the number of sub-custodians is limited.

The most dangerous markets for investors are the emerging markets, where local banks which could act as sub-custodians may not he subject to sufficient regulation, or may not have the administrative capability to handle client custody.

Mr Reid noted that banks viewed some new markets as simply too risky to operate in successfully. They feel that clients wishing to invest in those markets may do so but at their own peril, and must be responsible for selecting the sub-custodian, and live with any losses.

Where a Barclays branch is used, the bank offers clients the opportunity to check their assets in the relevant country, he said. Where a sub-custodian is used, Barclays asks that bank's auditors to provide a "comfort letter" assuring Barclays that it is fulfilling its contractual obligations.



At Mellon, the bank will assume all the sub-custodian risk with the exception of events falling under the *force majeure* clause. "That means things like military coups," Mr Feerick explained. However, he notes, there is a price for assuming that risk. "You might quote a slightly lower price for the service if the client assumes the risk."

Bank of New York, one of the world's largest global custodians, stands behind the sub-custodian for all operational errors, said Richard Crampton, managing director at BONY. "We will see our customer harmless and sort it out with the sub-custodian."

One of the big concerns about sub-custodians is the local jurisprudence – the extent to which local law governing assets held in trust is likely to be upheld hy the courts. "Once a year we get a lawyer to opine on the predictability of the courts in any country in which we operate," Mr Crampton said Mr. Crampton notes that the only law which forces custodians to monitor their sub-custodians is Rule 17-S-5 of the US Mutual Fund Act. This stipulates a minimum capital requirement for sub-custodians, and insists that they operate in environments where trust law is comparable with that in the US. As a result, Mr Crampton said, "there are some central African countries where US mutual funds cannot invest", because they cannot find appropriate sub-custodial arrangements.

However, he said, it would be unreasonable to expect BONY to guarantee the solvency of any sub-custodial bank. In any event, he added, most countries recognised the legal distinction between proprietary assets and those held in trust for others. Trust assets might not be claimed hy a bank's creditors or regulators in most jurisdictions.

The only danger to clients comes through their cash balances, which may be held at a bank which suddenly becomes insolvent, Mr Crampton says. However, he offers the comforting thought that "in most of the really diabolical markets of this world, you wouldn't have much cash on deposit anyway."

Moreover, he says, in the newer emerging markets – and indeed, even in several mature markets – clients are at far greater risk from the clearing and settlement of securities transactions than they are from their local custodian. The dangerous period is while a securities transaction is still waiting to settle, rather than afterwards.

At Morgan Stanley, the issue of sub-custodial risk is a significant one, because the investment bank has almost no custody branches outside the US and the UK. "We will indemnify clients against fraud, negligence and wilful misconduct," said Ross Whitehill, head of global custody. "If you don't do that, you miss out on most of the larger mandates."

Morgan Stanley says that, short of that, it will do everything it can to sort out operational errors, some of which are the result of the client failing to instruct the sub-custodian on time.

"We try to help," Mr Whitehill explained. However, the extent to which Morgan Stanley is prepared to bear its clients' sub-custodian losses is often a function of the value of the total account. "It gets down to how good the relationship is," he explained. For a client who had been squeezing the fees and routing other business elsewhere, Morgan Stanley would be less willing to cushion the loss.

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FINANCIAL TIMES SURVEY

BRISTOL

Tuesday November 29 1994

City in search of a higher status

Bristol has realised that it must take action if it is to improve its position in the league table of British cities. Roland Adburgham reports

Bristol is a city in search of a new role. It is the economic hub of south-west England and in the top 10 of UK cities in population. But two centuries ago, it was tha second city in England. For generations, it *complacently lost ground in* terms of status.

The recession of the early 1990s causad attitudes to change. During the 1980s, Bristol and the surrounding county of Avon benefited from business relocations from south-east England and a rapid growth in the financial services industry. But the recession not only curbed that growth but coincided with the impact of the peace dividend on the defence and aerospace industries, an important part of the local economy. Only last week, another 550 redundancies were announced at British Aerospace's plant at Filton, north Bristol.

In consequence, the city has realised it must take action, if *it is not to slip further down* the league table of UK cities. There is a belated awareness that it has not fulfilled its potential.

That it has greater potential is undoubted. Mr Brian Leonard, director of the Government Office for the South West, one of England's new integrated regional offices, says: "It should be a top-flight national and European city. There is absolutely no reason why it can't be those things, because of its strengths – the strengths are *enormous.*"

These include its proximity to the M4 and M5 motorway network, the existing Severn bridge to Wales and the second crossing, due to open in 1996. There are main-line railway links and a thriving port, although the local road system is inadequate. The maritime and trading history – the Society of Merchant Venturers, founded in 1552, is still influential – gave the city six miles of quayside. There are handsome *Georgian and Victorian buildings*, even if the centre is despoiled by unsightly post-war blocks. And the county includes the world heritage city of Bath.

For employers, Bristol and Avon offer a high standard of education with three universities and a skilled workforce, especially in engineering and financial services. The west of England, according to an analysis by Coopers & Lybrand, the accountancy firm, is the largest UK regional centre for financial services in terms of employment. A survey this year of 500 executives, carried out for *Management Today* magazine and Black Horse Relocation Services, showed Bristol was the most popular *choice for relocation.*

The recession, however, showed np the weaknesses and caused Bristol to rethink its role. Perhaps because it offers an agreeable way of life, it is not a dynamic city – the only sense of nrgency is at 5pm when people start heading for home. It lacks other qualities which make a great city. Its shopping is outclassed by Bath and although it is seen as relatively prosperous, it has been regarded as a city riven by factionalism.

The business community viewed the Labour-led city council as unwelcoming and obstructive. Partly in consequence, most recent development has taken place to the north of the city, in another local authority area. South Bristol, in particular, has been left with intransigent economic and social problems. There are other pockets of deprivation and many homeless people.

Government showed its disdain for the city council by *imposing a development corporation* in 1989 and rejecting two bids for City Challenge grants. Last year, the city failed to win European Objective 2 funding for areas in industrial decline.

The council, under local government reorganisation, will benefit by regaining unitary status with the intended abolition of Avon county council in 1996. But the government has not accepted the argument – which is supported by business groups – that the city should embrace more of the conurbation.

Avon council, which never won popularity, is resigned to its fate, but the city council has undergone a conversion in its attitude to the private sector. "There has been a sea-change here," commented one senior officer.

The change began with the sale of the port in 1991 and has been further encouraged by a new chief planning officer, Ms Diana Kershaw, and chief executive, Ms Lucy de Groot, who was appointed in March.

There is, Ms de Groot says, "a very genuine spirit of active partnership. There are real players to work with – we have a very good relationship with Bristol Chamber of Commerce and Initiative [the Chamber has merged with a business ginger group, the Bristol Initiative].

"What's happened in the last year is a recognition that there are problems which cannot be solved by individual interests doing their own thing, or waiting for the next cycle of the economy."

Mr Chris Curtis, director of the south-west Confederation of British Industry, *comments*: "We see at last local authorities realising that planning and land-use policies have a direct bearing on economic growth – at last, that is realised in Bristol."

Part of the Government Office's role is to ensure the south-west's case is given a fair hearing in Whitehall, which appears responsive to the evidence of changed attitudes in *Bristol. This* month £6.2m was granted to improve a deprived estate in Hartcliffe.

The city now has a sponsoring minister – Lord Astor, a national heritage minister – as a direct link with government.

The most significant outcome of the spirit of co-operation is the Western Development Partnership, a public and private sector forum set up last year to co-ordinate economic strategies in Avon and promote the sub-region.

The partnership, together with similar bodies in the four neighbouring countias, has convinced the Department of Trade and Industry to provide £100,000 initial funding for an umbrella agency to attract inward investment to the west of England.

Within Bristol, another partnership is the Harbourside project for what should be the city's best waterfront site at Canon's Marsh. Typically, it had been allowed to decay for decades, apart from the notable *recent arrival of Lloyds* Bank retail headquarters.

Tha council is promoting Harbourside, with other landowners and the chamber of commerce, as "the single most significant development in Bristol in the past 40 years".

The more positive attitude comes as the local economy shows some resurgence. Unemployment in the city's travel-to-work area has fallen to 8.1 per cent. The latest quarterly survey by the chamber of commerce showed 76 per cent of manufacturing companies and 72 per cent of service companies reported improvements in turnover, although fewer than 40 per cent were operating at full capacity.

"Undoubtedly there is a recovery taking place," says Mr Curtis. "But the recovery is not spread evenly – it is only companies with a particular market position which are doing well, the others are static. Investment is certainly improving, but employment in *manufacturing is continuing* to decrease."

Mr Donald Merrylees, director of the Bristol and Western Engineering Manufacturers Association, says: "Things are looking better – the majority of businesses are busier than two or three years ago. But there aren't long order books and margins are still fairly tight."

Uncertainty about the recovery is reflected in the city'a lack of clarity about its future. Manufacturing has become much less important than the service sector but, says Ms de Groot: "It can't just be a professional city – there hava to be things for the professionals to be doing."

Mr Leonard comments: "Bristol can set its sights high – but it has to mobilise to be successful and that's not easy." It needs, he believes, to look for allies and learn from the tactics adopted by other cities and regions.

One new tactic is the Bristol Regeneration Partnership, formed by the public and private sectors to bid for project funding from the government's single regeneration budget. Its first objective is "to promote Bristol's image as a vibrant European regional capital".

The city may not have that image yet, but at least it has the ambition.

Yesterday and tomorrow: replica of the 1492 Columbus vessel Santa Maria – and the new retail headquarters of Lloyds Bank Picture: Lyde van der Meer

IN THIS SURVEY

☐ **Production Editor: Philip Sanders**

Bristol as a financial centre

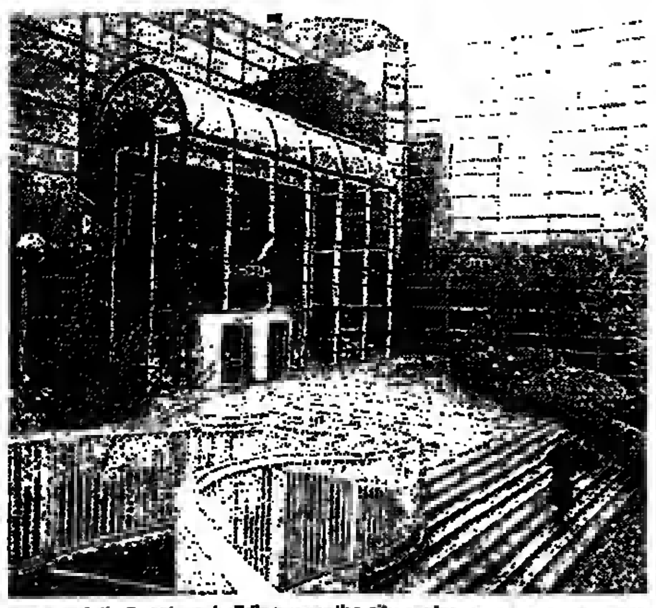
Symbol of a resurgence

Stand high on Brandon Hill, near the centre of Bristol, and look south over the impressive city panorama.

This city, the successful, thriving business capital of Britain's south west in the 1980s, has since suffered a painful recession and the decline of many of its traditional industries.

Down below Brandon Hill, however, is what many Bristol people believe is a symbol of a resurgence in the city's fortunes; Bristol's "jewel in the crown". It is large and spectacular, sitting squat on the waterfront at the heart of the city's docks – the headquarters of Lloyds Bank's UK retail banking operations.

Lloyds' decision to move its retail operations to the city – where it now employs about 1,500 staff – in September 1991 is seen by many as the final seal of approval of Bristol as a leading financial centre. It is on this role that Bristol people are pinning their hopes for the city's future.



The futuristic Spectrum building, near the city centre Picture: Lydia van der Meer

John Burke: 'There are now positive signs of recovery'

"Bristol has suffered from a severe recession and from its switch from an engineering and merchant-type background to a more service-orientated economy," says Mr John Burke, chief executive of the Bristol & West, Britain's eleventh-largest building society, which has Bristol as its home. "But there are now positive signs of recovery and there is a growing realisation that its attractions now make Bristol second only to London as a financial centre."

Bristol & West employs about 3,800 staff, 1,000 of them in Bristol, and has a network of about 170 branches, 64 of which are in the south-west region.

The fact that many leading national and international companies have chosen to locate in Bristol over the past few years – Lloyds Bank and the Bristol & West are not alone in choosing Bristol as a home – is testament to the qualities the city has to offer as a financial centre.

The insurance industry, in particular life insurance, is strongly represented here. The most significant insurance start-up in the past few years – National Westminster Life – chose Bristol as its base; and the UK's most successful direct marketing company, Direct Line, is shortly to open an important new operation in the city.

According to a recent report on financial services in the west of England, by accountants Coopers & Lybrand, about 55,000 people in the Bristol area are now employed in the financial services sector. If the professions that provide support for that sector – accountancy and the law – are included, the number rises to 67,000.

The insurance industry accounts for about 51 per cent of this total, the report finds. Banking and finance, another important sector, accounts for 22 per cent – the Bristol bank Tyndall, Lloyds' and Coutts' private banking operations and the merchant bank Singer & Friedlander can all be found within the city.

Building societies account for 22 per cent; venture capital and other smaller sectors account for the remainder. The local Chartered Institute of Bankers has no fewer than 1,434 members.

The report finds that the total assets controlled by financial services organisations headquartered in the west of England, with Bristol as its capital, is now in excess of £190bn.

The qualities that have drawn these companies to the west and to Bristol in particular are numerous. Mr Michael Edwards, deputy managing director of the Insurance Service – the direct insurance arm of Royal Insurance – lists most of them:

"We chose to set up business here because of the good quality and largely underemployed workforce, the exceptionally good road, rail and air links, the pleasant environment and the excellent support services such as PR, marketing, design and print," he said. "The people here are fairly lively and optimistic," he adds.

The Insurance Service, housed in the futuristic blue Spectrum building, near the city centre, has been based in Bristol since its start-up in 1987 and now employs 500 people. The direct insurance sector, which first began in 1985, was hardly touched by the recession, says Mr Edwards. By the end of last year it had a 20 per cent market share of the UK motor insurance market. "It is great for Bristol to have growing industries such as ours here," he said.

Add to Mr Edwards' list the strong links that exist between business and Bristol's two universities and business school, and the large supply of skilled graduate labour these provide and it is easy to understand why companies are attracted to the city.

"Bristol is an international magnet for the insurance industry and for finance," said Mr Edwards.

Graham Bowley

PRIVATE BANKING

A more personal service

Guests to lunch with Coutts & Co's bank in Bristol's Corn Street, the historic business quarter of the city, are greeted by a frock-coated Mr Bruce McColl, its manager, and asked to sign the visitors' book with a quill pen.

While this welcome sets Coutts apart from the usual reception that customers receive at a bank, it is evidence more of traditional values than its present-day way of conducting business. Coutts, founded in 1692, is anxious to show that private banking, far from being outdated, is gaining appeal with people who want a more personal service. In recent years, it has been opening branches in several UK cities.

The big banks – and Coutts is owned by National Westminster – have been coming round to the same opinion. Lloyds Private Banking, second to Coutts in terms of total funds under management, began as an adjunct to the retail bank but adopted that name in 1992 to gain a distinct identity. It has 31 offices and, last year, moved its Bristol branch to new premises in Clifton.

For Coutts, Bristol was only its second branch outside London (the first was at Eton). It opened in 1976 and subsequently a small office was established in Bath.

The south-west is seen as having a big potential for private banking. Lloyds says that in the first half of 1994 it gained more than 600 clients at its offices in the south-west and south Wales and £145m in additional funds. This brought the total to more than 8,500 clients and £1.4bn, accounting for a quarter of its national business.

Private banking aims to provide a more personal service than the high street banks. It

Coutts & Co's bank in Corn Street, the city's historic business quarter

is, Mr McColl says, about "getting close to people and understanding their needs and we have the time to do this." There is an increasing emphasis on asset management, with the vast majority of clients opting to give the bank discretionary management of their funds.

Inevitably, many existing customers are elderly, but Coutts says new clients tend to be in their 40s and, often, have made large sums in selling or floating a business.

Mr Nigel Richardson, manager of Lloyds Private Banking in Clifton, says: "Bristol produces a very high volume of new business. There is a lot of wealth in the area. It used to be old ladies and widows, but is now tending to be younger people who have made their way in business but don't have time to look after their own affairs." The branch has 1,400 clients with £200m under management.

In the case of Coutts, which has 1,200 accounts at its Bristol branch, an average balance of at least £3,000 must be kept in a current account to avoid charges. Mr McColl says: "People are buying a relationship, and are not terribly excited by what £3,000 would earn in the Halifax, after tax at 40 per cent." For fund management, the usual entry point is £250,000 and charges are negotiable.

Lloyds has a minimum for fund management of £75,000 in free assets. Mr Geoffrey Bailey, chief manager of investment services, says: "One thing we don't sell is our own products – if we did, they would have to be better. We would have a very slim defence if they didn't perform well." The fee is determined by the value of the funds – in Lloyds' case, it is an annual 1 per cent and subscription charge of £140.

Coutts and Lloyds are both anxious to stress that the personal touch is not at the expense of professionalism. Coutts comments: "We have a global expertise and depth of knowledge – we're in 17 jurisdictions around the world and have fund managers in five key locations investing money."

Lloyds, like Coutts, cultivates an image to distinguish it from ordinary retail banking. In Clifton, it occupies a large Victorian house, only identified by a discreet brass plate. The house, complete with conservatory, has domestic furniture and aims to create an atmosphere in which clients feel at home. It is in sharp contrast to most people's main contact with their bank – a hole-in-the-wall cash dispenser.

Roland Adburgham

Graham Bowley on professional and business services

Quality is crucial

The quality of professional services is crucial to Bristol's success as a financial centre, and from this point of view it is well placed. Accountancy and law firms are well represented and the standard of service is high.

"The accountancy profession is very healthy in Bristol. The big six national firms are here as well as some smaller firms," said Mr Ian Robinson, managing partner specialising in corporate finance at KPMG Peat Marwick, one of the largest accountancy practices in Bristol with 17 partners and 260 staff.

"This is a well-fished pond for the client and there is a very good choice of professional advice available," he said.

"Regional law firms are winning business from London firms. In Bristol, we are competing on quality and winning on price to the extent that we are now a force to be reckoned with," said Mr Jeremy Phillips, a partner at Eversheds Holt Phillips & Buck, a recent addition in Bristol to the Eversheds national network of legal firms.

Mr Phillips is optimistic about Bristol's future and the role the professions have to play in it. "Bristol has a bright future as a financial centre. There are some very encouraging signs and that is one of the reasons why it was so important for us to have a representative in the city," he said.

After years of lobbing, Bristol has recently been granted its own mercantile court, one of only two outside London. The hope is that it will provide an opportunity for Bristol to make further headway against London.

Osborne Clarke is probably the leading law firm in Bristol – and probably also in the whole of the south-west region. It has a staff of 300 in Bristol, including 28 partners, and acts for, among others, the local independent television franchise holders HTV, the local electricity company SWEB and local health authorities.

Osborne Clarke is in a strong position and is expanding – it has an annual fee income of about £12.5m, almost double that in 1989.

"The message nationally is that we can offer clients superior access to our partners, that we have a very high degree of technical skill and we offer value for money," said Mr Leslie Perrin, a partner specialising in litigation.

Second to Osborne Clarke in the region is Burges Salmon, nationally renowned for its expertise in agricultural law. Bevan Ashford, Veale Wasborough and Wansbroughs Willey Hargrave are the other leading Bristol firms.

Most of the present growth in the legal profession in Bristol is being seen in litigation and corporate finance.

Accountancy is also focusing on corporate finance. "We have seen a very substantial increase in corporate finance activity since the spring of 1993," said Mr Andrew Hillman, a partner specialising in corporate finance at Touche Ross in Bristol, which merged with BDO Binder Hamlyn in October.

"Whereas in 1992 we were doing only two or three transactions, last year we undertook 13 corporate finance transactions," said Mr Hillman.

"Audit and tax are also growing, partly because of relationships made through the corporate finance deals but also because of the economic recovery."

He said: "For three to four years our clients have kept their heads down but now increasingly they are out looking for business."

"Business is coming to Bristol," said Mr Hamilton of KPMG Peat Marwick. "Incoming firms can get a whole range of professional services including accountancy, legal advice, venture capital and stockbroking. All of it is here and it is in good shape." He estimates that this year his firm will be doing 50 per cent more business in transactions terms than in 1993.

Solomon Hare is smaller than the "big six" accountancy firms but is nevertheless one of the largest of the independent practices in the West Country. Its client base, says Mr Nicholas Reeve, a partner at the firm, has tended to be smaller public limited companies with a market capitalisation of about £50m "which are relatively plentiful in this region."

He said: "On several of our deals this year we have managed to persuade clients that

The professions face important challenges over the coming years

the team should be Bristol-based and so we have attracted work to the other Bristol professions – lawyers, brokers and merchant banks."

If there is a weakness in the financial support services in Bristol, it is in stockbroking and merchant banking, which are relatively poorly represented.

"There is only one local stockbroker to speak of catering for corporate clients and there is only one merchant bank," said Mr Hillman. "That is a real weakness in the south-west. On the other hand, there is a high level of actuarial support."

Singer & Friedlander, the merchant bank, has an office in Bristol with a staff of seven covering the south-west and Wales area.

On the stockbroking side, there are nine firms operating in the Bristol area. Probably two of the largest firms are Albert E. Sharpe and Laws & Co. Albert E. Sharpe, the Birmingham-based broker, took over the private client operations of Stock Beech in Bristol following the demise of British and Commonwealth, its parent. Laws & Co., part of Allied Provincial, has a staff of 24 dealing mostly with private clients in and around the Bristol area.

Rowan Dartington, of which Singer & Friedlander is the largest shareholder, deals more for institutional corporate clients – the split is 70 per cent institutional and 30 per cent private clients, according to Mr Barrie Newton, managing director. He says the firm, which has a staff of 15 in Bristol, has 20 corporate brokerships and is dealing for 80 mainstream blue chip institutions such as pension funds and insurance companies.

Despite their general healthy state, there is a wide consensus among those in the industry that the professions in Bristol face important challenges over the coming years.

"Historically, many large companies had their headquarters in Bristol and as a result used the city's financial services a great deal," said Mr Robinson. "But many of the decision-makers have now disappeared and been replaced by subsidiaries and their headquarters in London use London services. In the last 12 months there has been the beginning of some return of locally-based companies and it is our job to convince them to use our services here in the city."

The professions' success will depend critically on their continuing ability to offer high quality services at competitive prices and with a high degree of accessibility compared to their London counterparts.

Mr Martin Warren, a partner at law firm Eversheds Holt Phillips & Buck, said: "The rise of the regional firms will continue to depend on being competitive, providing quality services in specialist subjects and offering accessibility. Clients want accessibility, despite the age of the fax and the phone, and however big the London firms are they cannot do that in the regions."

Roland Adburgham looks at economic development

Shared strategy devised

During the 1980s, Avon was seen as one of the more successful sub-regions in the UK, with an employment rise of 12 per cent, the biggest increase for any mainly urban area. The county has 23,000 businesses, employing 400,000 people.

The growth was led by business and financial services with companies relocating from London and the south-east. This masked the decline in traditional manufacturing such as tobacco, transport, food, chemical and mechanical engineering.

By 1991, financial and business services accounted for 16 per cent of the workforce while distribution, hotels and catering employed 21 per cent. Manufacturing accounted for only 18 per cent.

The recession braked inward investment from south-east England and jobs were shed from aerospace and defence industries. Between 1989 and 1991, the census of employment shows, defence jobs fell by 10 per cent, tourism by 12 per cent and construction by 17 per cent.

An overdue awareness of a need to respond to rapid structural change has caused the public and private sectors to devise a shared strategy for economic development. In 1993, they formed the Western Development Partnership in Avon, an umbrella organisation to pull together previously unco-ordinated activities.

Its partners include all seven of Avon's councils, Bristol Chamber of Commerce and Initiative, the regional Confederation of British Industry and Trades Union Congress, universities and Avon training and enterprise council.

The WDP, led by Mr Richard Brown, its chief executive, has had a big impact in stimulating Bristol and Avon to be more pro-active. Taskforces have been set up for aerospace, high technology and financial services which are intended to lead to specific initiatives.

A technology and innovation management team, with funding from the European Konver fund, has been established to advise small businesses to develop new products and bring them to market.

In September, the WDP produced an agreed strategy for economic development, including a target of creating 7,000 jobs a year and of reducing unemployment at a faster rate than the UK average. The strategy seeks to create a "marketable and recognisable region" in the west of England.

One of the difficulties for the south-west in promoting its case has been this difficulty of defining the region, and the multiplicity of development partnerships which sprung up during the recession. All seven counties have their own bodies with the result that they often appear to compete rather than co-operate.

After much lobbying, the Department of Trade and Industry is providing start-up funding of £100,000 for a single new agency – the West of England Development Agency – which will seek to win inward investment for the five counties of Avon, Dorset, Gloucestershire, Somerset and Wiltshire. Devon and Cornwall already have a government-funded development bureau.

A chief executive for the West of England agency, which is chaired by Sir Michael Lickiss, who heads the Somerset Economic Partnership, is being appointed and it will be based in Bath. But it is not yet clear how the relationship between the new agency and the WDP and other county organisations will evolve.

In Bath, the city council itself decided this autumn it must give more priority to economic development and to promoting the city as a business location.

Another initiative is a North American Business Club, set up in February last year to promote Bristol as a gateway to the UK and Europe. It has gained members from 100 companies and is the only UK member outside London of the British-American Business Council, based in Washington, DC.

In the summer, the club hosted a conference on US government procurement and, this month, a trade mission from the Bristol-Florida chamber of commerce. More missions are planned next year. Mr Richard Dennery, the club's president, comments: "The awareness within the US of Bristol as a business venue is growing enormously."

An initiative for Avon's indigenous businesses is the setting up of Business Link one-stop advice shops, as part of the planned national network. A bid for funding, backed by Avon Tec and the chamber of commerce, has been made to the Department of Trade and Industry and it is intended Business Link should be fully established early next year.

This should help Avon Tec, set up in 1991 and now chaired by Mr Colin Green, managing director of Rolls-Royce Military Aero Engines, to become better known. A survey of 820 employers in the county this summer showed the Tec's main impact had been on large employers with well-developed training cultures. Among the rest of the business community, it was seen as a purveyor of government training programmes and had not established its profile as a business support agency.

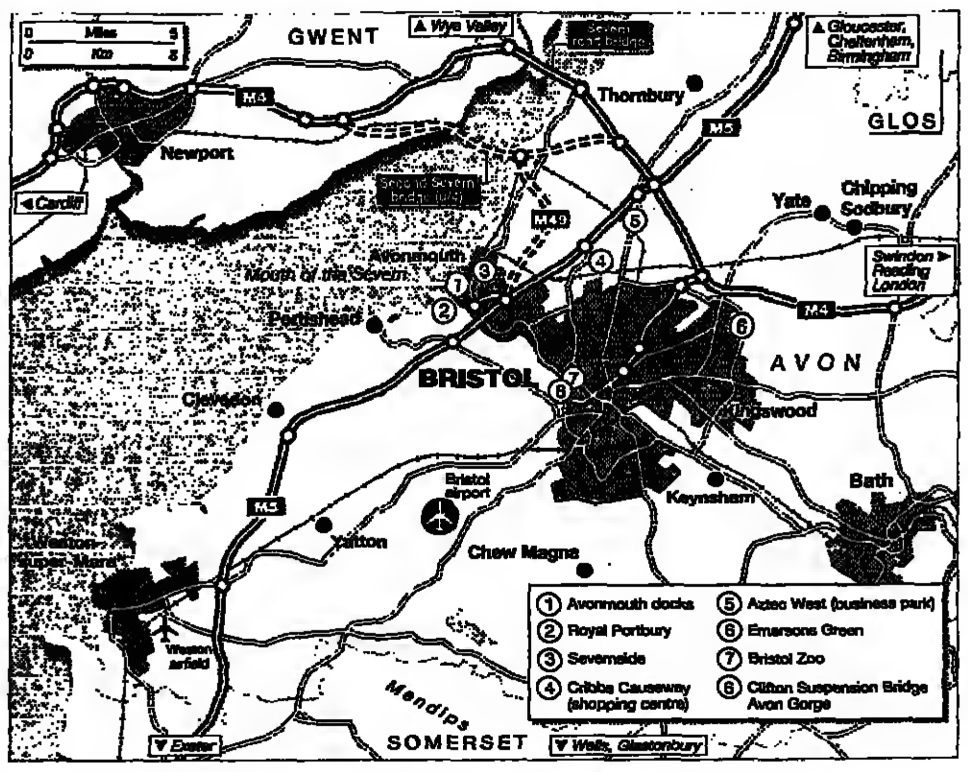
The survey showed that most employers recognised the need for change if they were to grow. They saw the need to improve quality, raise skill levels of staff and managers, and improve strategic management.

But the report commented: "A considerable gap still remains between recognising the need to change and responding to it." Less than half of the companies with fewer than 100 employees had sought help in these matters.

Although 68 per cent of the employers provided training, the survey found that a third of companies – mostly those with 10 or fewer employees – were unaware of the Tec. Only a small proportion of employers had "any real appreciation of the role of the Tec and a detailed knowledge of the activities it undertakes."

The report concluded that the Tec needed to work more closely with other business support agencies through Business Link. "However, if this initiative is to make a real impact, it needs to develop a strong portfolio of services to meet the changing needs of employers, particularly small and medium-sized enterprises, which all agencies, not just the Tec, have largely failed to reach to date."

Jobs in the construction industry fell by 17 per cent between between 1989 and 1991 Picture: Lydie van der Meer



Local government review is ready to axe Avon council

Bristol will regain unitary status

In Avon House, a block of brutal architecture in Bristol which is the headquarters of Avon county council, the lifts have an automatic voice intoning: "Doors closing."

Soon, the doors will close on Avon council itself. Its abolition is one of the few near-certainties of the local government review in England. Subject to parliamentary orders, there will be shadow elections next May to four new unitary authorities, replacing the existing two-tier structure of six district councils and the county council, which will disappear in 1996.

Bristol will then regain the unitary status it lost 20 years ago in the last reorganisation of local authorities.

While there is broad agreement this will benefit the city, there is disappointment that the government appears to have accepted the local government commission's recommendation to confine the new council to the city's historic boundaries.

The conurbation has expanded well beyond those boundaries, notably to the north. The city council believes that, in strategic and planning terms, the new authority should have a wider remit.

This view is backed by business groups. Mr Chris Curtis, director of the regional Confederation of British Industry, says: "We believe the curtailment of Bristol to historic boundaries is a serious mistake – a lot of companies will continue to face a confused planning process, and possibly worse. Services are still continuing to move out of Bristol, and the wealth-creating potential of historic Bristol is declining and its capacity to deal with deprivation is being curtailed."

Instead, the local government commission, chaired by Sir John Banham, has attached more importance to the views of residents in outlying areas who are opposed to a Bristol "takeover." In consequence, Northavon district council will merge with Kingswood to form South Gloucestershire, Bath city council will merge with its neighbouring district Wansdyke, to form Bath and north-east Somerset. Woodspring, which is based around Weston-super-Mare, will become North-west Somerset on its existing boundaries.

Uncertainties remain over the transfer of powers. Avon council is by far the largest employer in the county, with the equivalent of more than 21,000 full-time employees and a budget of nearly £600m. However, nearly all the staff are expected to transfer to the new authorities.

In Bristol, there is anxiety that the city council will not be given adequate resources to cope with its new status. The council argues that its present standard spending assessment has been inadequate.

It points out that a government-commissioned study ranks the city as the 42nd most deprived district out of 366 district authorities. The combined assessment of Bristol and Avon councils this year is £697 per head of population, compared with £817 for Coventry, which was ranked the 45th most deprived.

The city council, supported by many businesses and organisations, is lobbying for the assessment to be increased. One issue is that Bristol, by being the regional capital, provides services which those living in outlying areas use but do not support through their council taxes.

The Bristol Cultural Development Partnership says the city's current assessment "is more akin to a minor district than a regional centre." It fears the situation could become even more worse when the city takes on responsibilities at present funded by the county council.

It says the county council is spending £400,000 this year on supporting independent arts groups. Nearly all of these arts activities are Bristol-based. If, under the reorganisation, Avon's budget is disaggregated on a population basis, then the city would face big problems in supporting artistic and cultural activities.

Avon council itself is resigned to the fact that the government is determined to abolish it. Although, in strategic terms, its creation in 1974 made more sense than the restriction this time of Bristol to its historic boundaries, it is widely regarded as ineffectual and has failed to generate any popular support. For many years it has been a hung council – the present make-up is Labour 34, Conservatives 25 and Liberal Democrats 17.

While there is a danger of further indecision in the period leading up to its abolition, Mr Graham Badman, director of education who has been also appointed head of external affairs to oversee the handover, stresses that for months the council has been working with district councils to prepare for abolition.

One of the internal notes refers to "wind-down to ensure clean handover." Once that has happened, there will be few reminders of the old county except in such bodies as the Avon and Somerset Constabulary.

Roland Adburgham

Professor Rees: responding to growth in the financial services sector

Graham Bowley takes a look at academic links with industry

Particularly strong ties

Bristol is home to two successful universities, both of which enjoy a close relationship with commercial life in the city, across the UK and abroad.

The University of the West of England, or UWE, the former Bristol Polytechnic which converted to university status in 1992, has its main campus in the north of the city.

This area, close to the M4 motorway and Bristol Parkway railway station, is undergoing rapid development and anyone travelling to the university will pass through a dramatic landscape dominated by cranes and the skeletons of new buildings – the beadquarters of the Ministry of Defence procurement operations, and beadqnarters for Sun Life.

The university is qnite comfortable with sncb rapid change unfolding around it.

"Being a former polytechnic, we have always had good links with industry," said Ms Linda Skinner, director of the university's Centre for Research, Innovation and Industry, whicb was set up 18 months ago with the help of a £160,000 grant from Department of Trade and Industry.

Its aim is to promote co-operation between the university and industry, to help local business and to explore ways of putting the university's researcb to commercial use.

"What this centre does is act as a middle man hetween industry and academics – the university is very good at coming up with ideas but we do not exploit what we do as well as we could," says Ms Skinner. "Our researchers also work with companies to develop any unused patents, which tbe company may have, into something whicb is commercially viable."

Ties are particularly strong between UWE and local husiness. A quarter of the university's students come from the south west and 41 per cent of graduates take up employment in the region. "We draw many of our students from the region and we place a lot of our students there, so it is in our interest to promote Bristol because a thriving regional economy is absolutely vital to this university," said Ms Skinner.

The centre has a small-business liaison unit which provides advice and help to small businesses within a 40-mile radius of Bristol. "We are continually asking ourselves bow we can interact better with industry in the region and how we can help businesses to innovate," said Ms Skinner. She estimates that of the five businesses a week the centre talks to, 35 per cent end up doing some sort of collaborative work with the university.

Altbougb it has ties with most industry sectors, the university works particularly closely witb the aerospace industry and Bristol's new high-technology companies.

UWE works closely with Hewlett Packard, the second-largest US computer company, whicb has its European research and development centre on a site adjoining the university. The two are part of a group developing a new high-speed communications network for Bristol – an information superhighway for the Bristol area, called the metropolitan area network, or Bristol Man.

Bristol Business School has 3,200 full-time and part-time students

Close by the centre, and also part of UWE, is the Bristol Business School, which has 3,200 full- and part-time students working for degrees in business studies, international business studies, accounting and finance and financial services.

"The latter is particularly relevant, given the growth of the financial services sector in Bristol," said Professor Michael Rees, dean of the Bristol Business School.

Each year as many as 200 students are placed with industry in the UK and abroad as part of their sandwich year out. The school also offers special management qualifications for people already at work who wish to take their training further.

The fastest-growing area in the school – and where the ties with business are tha strongest – are the "partnership programmes" which the scbool offers; courses tailor-made to the needs of a particular organisation. In this area, the school works closely with Lloyds Bank – which takes about 100 people a year – the Bristol & West building society, NatWest Insurance Services, and also Avon county council and Bristol city council, to provide, for example, much of these companies' early in-house training.

Bristol Uoiversity, one of the UK's leading universities which can boast several top-class research departments, is situated right at the beart of Bristol.

Mr Don Carleton, press officer, said: "The university has both long-term strategic relationships with local organisations, ranging from very large multinationals to quite small companies, and at tbe otber extreme sbort, sharp relationsbips of some commercial value."

He said: "Agreements are struck at the highest level with companies, ranging from large multinationals to small local businesses, in acknowledgement that our futures are intertwined and dependent on eacb other. Then, at the more specific level, we bave excbanges of staff and of ideas."

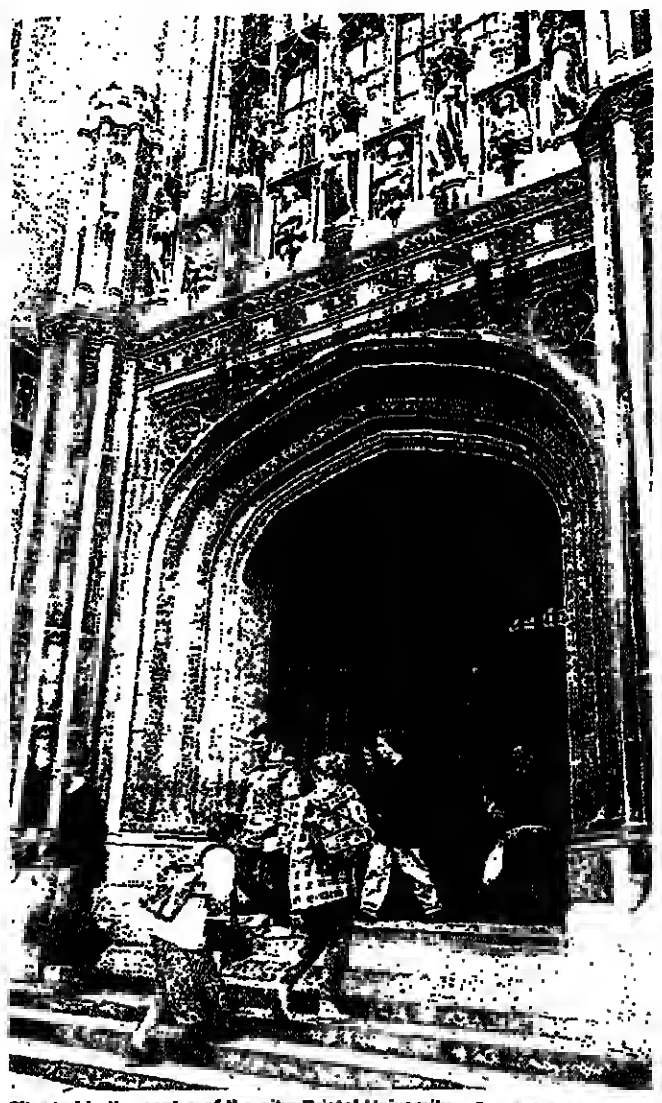
The university bas recently won a £1m grant from the Ministry of Agriculture of Fisberies and Food to carry out research on applying processing engineering to food.

The university is heavily involved, along with the UWE, the University of Bath and commercial partners, with planning for a science park – called Emersons Green – which is to be located to the north-east of the city. The aim of the park is to attract new high-technology industries into the area.

"These would create jobs but they would also be consumers of what the universities do best – there would be a strong demand for our high quality graduates and research," said Mr Carleton.

In anticipation of the park, the university is working closely on a Ecu5m project concerned with advanced computing technologies with Inmos, a subsidiary of France's SGS-Thomson.

Bristol University offers its own business degree – an MBA in international business at its international business unit. This graduate course was introduced in 1991 and is now on its fourth intake of students. The students, who come from all over the world, can spend time on placements at businesses in Bristol and have the opportunity of visiting universities abroad.



Situated in the centre of the city: Bristol University   Pictures: Lydia van der Meer

Bristol, it was recorded by an encyclopedia published in 1813, "is generally esteemed tbe second city in England, for trade, wealth, and number of inhabitants."

Tbe encyclopedia listed, among the "considerable manufacturers," brass, copper and lead works, turpentine and sulpbur works, and the making of woollen stuffs, cotton, sail cloth and lace. There were sugar bouses and no fewer than 15 glassworks.

Two thousands ships were annually cleared through the city's docks, but the encyclopedia noted that, apart from London, Liverpool had becoma the greatest sea port in England, "baving exceeded Bristol considerably of late years."

The loss of trade to Liverpool was one reason wby Bristol steadily slipped down the league table of UK cities. But Charles Harvey and Jon Press, in *Studies in the Business History of Bristol*, published by Bristol Academic Press, comment that the city has been much more than a maritime centre in decline.

"On tbe contrary, Bristol has for a long time enjoyed a diversified economy which has proved adaptable, resilient, and responsive to national trends."

Industries have waxed and waned in the city, notably cigarette, chocolate and footwear manufacture. The Wills company began in the city in 1786, and when it became part of Imperial Tobacco early this century, had a workforce of 3,000 people. Today, Imps employs only 600 people at Bristol and Avonmouth, making cigars.

Otber industries, sucb as railway locomotive and motorcycle manufacture, have come and gone. The defunct Bristol coalfield at one time produced 1m tons a year. Aerospace has long been an important industry, hut one whicb has been contracting. However, the Filton and Patchway works of Britisb Aerospace and Rolls-Royce still employ a total of more than 10,000 people.

In keeping with the history of industrial diversity, other businesses have arrived and the city has benefited by never being over-dependent upon a single industry. The service sector, notably in financial and professional services, has belped to compensate for the diminution of manufacturing.

In recent times, one expanding industry has been that of media-related businesses. Bristol is the home of the BBC natural bistory unit, of the commercial radio company GWR, and of Aardman Animations, which in March won an Oscar for its film *The Wrong Trousers*. HTV, the television company, bas its west of England studios in the city.

United Artists, the US group, bas set np a base at Aztec West in north Bristol for its cable franchise. By late 1997 it will have invested more than £320m in a 4,000-mile fibre optical network, cabling Bristol and Bath and surrounding towns. Its workforce of 350 is expected to increase further next year.

Another recent arrival at Aztec West is Anderson & Lemhke, a business-to-business advertising agency set up three years ago to serve the high-tech sector. It chose Bristol, it says, "becanse of its easy accessibility, value-for-money office accommodation and local creative talent." Also at Aztec West is Spandex, the supplier of sign-making materials and computers to the sign-making industry.

Direct mail and telemarketing is a growing business – British Telecom has a 24-hour call centre in Bristol. Colleagues Direct Marketing of Bath has proved highly successful. In January, NatWest Ventures completed a £8m buy-out from ACT Group of Brann Direct Marketing, based in Bristol and Cirencester. Brann has a turnover of about £19m and employs 400 people.

Computer-related companies inclnde Systems Team, a systems house set up in central Bristol in 1982. It has become a leader in providing services to professional associations and membership organisations.

Hewlett-Packard, the US company, has one of its chief European manufacturing and technological bases on a 163-acre site at Filton. Its H-P Laboratories there, employing 270 researchers and scientists, are its largest research centre outside the group's Californian headquarters.

"Wa believe that Bristol – with its excellent universities – is an excellent place to condnct advanced research, and that Bristol has much more to offer in the area of value-added services than strictly a good place to manufacture products," Hewlett-Packard says.

More traditional industries include a Courage brewery and two small regional brewers, Butcombe and Smiles. The drinks company Hiram Walker, renamed as a division of Allied Domecq, has its world headquarters in Bristol.

There is also a sizeable printing industry. Oakley Press this year completed substantial investment in a fully-integrated pre-press and press operation. But one long-established company, J. W. Arrowsmith, which began printing in the 19th century, has become a much smaller business.

Arrowsmith was recently the subject of the city's longest industrial dispute, which ended this autumn after 18 months of picketing. The dispute began over pay and the plant was picketed after the company dismissed 120 workers and de-recognised their GPMU union.

A related business in the region is packaging, with companies such as DRG and ASSI, which has a £30m plant making corrugated packaging at Yate in Avon.

Other manufacturers include Rotork, the specialist engineer in Bath, which increased its overseas markets during the recession and exports to more than 60 countries. Engineering company Strachan & Henshaw, part of Weir Group, designs and supplies handling systems for nuclear power stations. Christies Panel Products makes fitted bedrooms.

One long-established business is Bryan Brothers, founded in 1913, which has become one of the UK's largest privately-owned motor groups. Its contract hire business has a fleet of 8,000 vehicles.

A newer company, in an old tradition, is Architectural Castings, a management start-up in 1992. It is planning further expansion after an injection this summer of £200,000 of equity and loan finance by 3i, the investment capital group.

To complete the picture of diversity, at least one industry has had a renaissance since the days of the 1813 encyclopedia: the manufacture of hot-air balloons (which were piloted, the encyclopedia said, by "aeronauts.")

Mr Don Cameron, head of Cameron Balloons which he founded in Bristol in 1970, has seen the company become the world's largest maker of promotional and sports balloons, both hot-air and gas-filled. The company makes about one a day and exports to more than 30 countries. With a turnover of £4.5m, it employs 90 people. "We have never had a redundancy," Mr Cameron says, "and it is our goal never to have one."

Roland Adburgham

Aztec West business park has attracted newcomers. The Black Sheep pub in the heart of the office village

INDUSTRY

Diversity ensures that economy is resilient

Lack of foreign investment

More American companies are based in the Bristol area than any other foreign-owned businesses, writes Roland Adburgham. An analysis of companies with a Bristol postcode and a turnover of more than £1m shows there are 20 from the US and five from Canada. There are 10 Swedish-owned companies and five Australian, but only four French, three Irish and two German.

The analysis was carried out for the FT by Jordan and Sons, the Bristol-based company information group. It shows the relative lack of inward investment from abroad in the area. Out of the 664 parent and subsidiary companies with a turnover of more than £1m, only 61 are foreign-owned. Neighbouring sonth Wales, with the benefit of its government grants, has been far more successful in attracting overseas companies.

The paucity of quoted companies headquartered in the Bristol area is also revealed by the analysis. Of leading parent companies, there are only 16 with a full stock exchange listing and another four on the unlisted securities market. But in this category, there are 219 privately-owned businesses.

Leading quoted companies, in terms of net tangible assets, include Wessex Water, South Western Electricity and Bristol Water.

Of the £1m-plus companies, there are far more engaged in wholesale and retail distribution than in any other activity. The figure of 27 per cent of the total compares with 13 per cent in banking, finance and business services, 12.5 per cent in engineering and 10 per cent in construction. Chemicals, metals, mining or plastics companies account for another 8.5 per cent.

Jordans also analysed the overall performance of nearly 500 of the largest companies (in terms of turnover) in the Bristol area. According to the latest filings at Companies House, sales year-on-year were up hy only 1.6 per cent but pre-tax profits jumped 26.1 per cent.

Companies were helped by a big decline in interest payments of 16.8 per cent and a reduction in total borrowings of 5.5 per cent. Average gearing fell steeply from 70 per cent to 39 per cent.

Profit margins improved by 1.1 percentage points to 5.6 per cent and return on net assets rose slightly by 1.2 percentage points to 11.8 per cent. The wage bill was up by 3.5 per cent, but numbers employed showed a slight decline of 0.4 per cent.

Bristol's economic significance in south-west England is shown by the fact that, out of 5,514 company formations in the south-west in the first eight months of this year, the city's postcode area accounted for 2,491, or nearly half. The peak month for Bristol was March with 405 formations, but this had fallen to 232 in August – or 2.3 per cent of all company formations in England, Scotland and Wales.

Roland Adburgham looks at the tourism industry

A change of attitude

A bronze statue of a craggy John Cabot on a Bristol quayside shows him gazing westwards, towards the American mainland which he discovered almost 500 years ago. If he could look over his shoulder, he would see a wharf where his ship the Matthew, in which he set sail from the city's harbour, is being reconstructed.

The new Matthew, being built with oak and traditional materials at a cost of £1m, is at the heart of an overdue desire by Bristol to stimulate tourism. The ship, a square-rigged caravel of 21 metres, will be launched next September and in May 1996 will be the city's centrepiece of an international festival of the sea. Then she will sail to Newfoundland to take part in the province's 500th anniversary celebrations.

The festival, organised by partners including the city council and Bristol Chamber of Commerce and Initiative, is intended to be the biggest held in the UK. It is hoped to attract 800 ships from around the world and as many as 1m visitors. For four days, the quays will be alive with exhibitions, concerts, other events and visits to the moored boats.

With its cost already underwritten by a property company, the festival is the most striking example yet of a change of attitude in Bristol towards tourism. Overshadowed by Bath's status as a world heritage city, Bristol has until recently appeared to disregard the industry.

This was despite evidence of tourism's importance. The West Country Tourist Board estimates the city has 750,000 staying UK visitors each year, contributing £55m to the local economy. In addition, it has a big number of day visitors and is a popular place for visiting friends and relations.

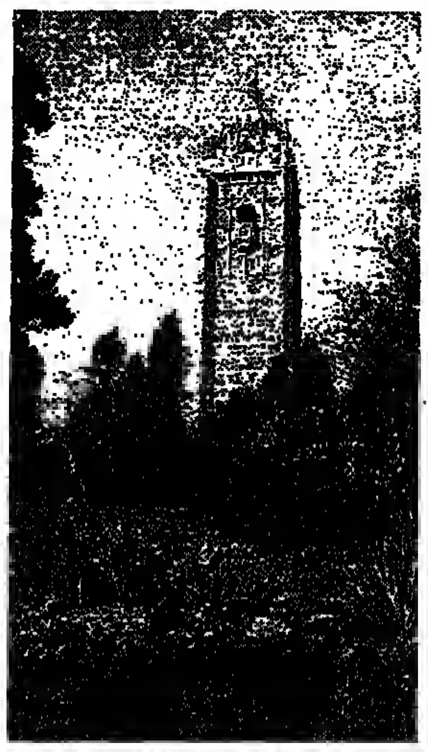
For visitors from overseas, Bristol is the tenth most popular UK destination – with Americans and the French leading the way. In 1992, there were 209,000 staying visitors from abroad. In total, tourism is estimated to contribute at least £100m a year to the local economy, creating directly or indirectly 10,000 or more jobs.

A consequence of Bristol's lack of interest in tourism was that the city, despite being internationally known because of its trading history, failed to invest in tha industry compared with rival UK cities. It has no sports stadium, concert hall or conference centre of national significance.

The Matthew project and festival of the sea is evidence of a change of mind. Mr Neil Croucher, chairman of Bristol Tourism Forum, says: "A few years ago the private sector was tearing its hair out and asking what the city council was doing to promote tourism. The answer is that they were doing nothing. It was not recognised as an industry, nor as an area of potential."

In the past three years, he says, there has "been a total turnround and the city council is nothing short of excellent in putting money, time and commitment to tourism."

The forum itself, with representatives from the council, chamber of commerce and tourist industry, has been reactivated. A new strategy has been adopted to tackle tha weaknesses – visitors, for example, consider Bristol inhospitable – and build upon ths city's strengths of location and maritime heritage. In particular, it is seen to have more potential as a year-round destination for short-break holidays and business tourism.



Bristol has impressive landmarks

"Now everyone is working towards one goal," Mr Croucher states. "We have the big plus of water right at the heart of the centre. We would like to see Bristol as a major European city, closely linked to waterside development. By the year 2000, we should be in the position to promote Bristol as one of the most beautiful cities in western Europe."

Mr Croucher is development director of the Exploratory "hands-on" science centre which, with nearly 200,000 visitors a year, is tha most popular city attraction after Bristol Zoo. The Exploratory, outgrowing its space at Brunel's Temple Meads station, may move to Harbourside, a waterfront scheme which is hoped to include an electronic wildlife "zoo" and centre for the performing arts. A separate project is for a museum of commonwealth and empire at Templa Meads.

Bristol already has the advantage of impressive landmarks, including Brunel's Clifton suspension bridge over Avon Gorge, the cathedral and St Mary Redcliffe church. Less well-known is that, despite wartime bombing damage and consequent ugly office blocks, there are 3,600 listed buildings. The Old Vic's Theatre Royal is the oldest working theatre in Britain, and John Wesley's chapel, built in 1739, was the world's first Methodist chapel. Outside the 18th century Exchange are the merchants' flat-topped "nails", the origin of the phrase "paying on the nail."

A more recent survivor is Brunel's ship, the SS Great Britain, launched in Bristol in 1843 and salvaged from the Falklands in 1970. Nearby, the Victorian buildings of Underfall Yard are being restored. Alongside the floating harbour, which retains permanent high-water in the city's docks, there is an industrial museum and Arnolfini art gallery. Events such as the annual balloon festival and regatta attract thousands of people.

Visitors might well be deterred by the cost of car parking, at £1 an hour, and the variety of shopping can not compete with Bath. But one deficiency perceived by tourists – the restaurants – is less well-founded. The 1994 Good Food Guide lists 10, three more than Bath and five more than Birmingham. Outside the city, there are distinguished country house hotels such as Ston Easton, a Grade I listed Palladian mansion.

The city is also close to some of Britain's finest countryside, including the Wye valley, Cotswolds and Mendips. In addition to Bath, it is within reach of Cheltenham, Wells and Glastonbury and the seaside towns of Weston-super-Mare, Burnham-on-Sea and Clevedon.

With these advantages, Bristol should have captured more business tourism. Despite having 2,000 four-star hotel beds, it is not among the top 50 UK cities for the conference trade. This autumn, an initiative was launched to correct this. Twenty-seven hotels and venues have formed a marketing consortium called Conference Bristol to promote it as a destination and provide a central point for bookings. The aim is to bring the city into the top 10 conference destinations within three years. All the big hotels have also joined Bristol Hotels Association in what Mr Michael McGahey, chairman of the West Country Tourist Board, has described as "a new spirit of co-operation."

One area where there should be more co-operation is with Bath. The two cities, only 12 miles apart, could promote a complementary appeal for tourism. But there has been mutual suspicion and little common interest, exacerbated by poor transport connections. Bath, in its cultural identity, has traditionally looked eastwards towards London. Bristol, like John Cabot, has looked westward.

Transport links serve the city well

More air services needed

A strength of Bristol is its geographical location near the motorway crossroads of the M4 and M5. One can drive directly by motorway to London, south Wales, the Midlands and north, or to the far south-west, writes Roland Adburgham.

Bristol also has two mainline railway stations, Parkway and Temple Meads, with a journey time to London of an hour and 20 minutes.

It has a flourishing port, which is close to the Severn bridge and to the second crossing which is being built. The one obvious weakness is its lack of an international regional airport.

While Bristol airport, south of the city at Lulsgate, has established itself as the south-west's leading airport, there is an irony. The transport links, which otherwise serve Bristol so well, serve Lulsgate badly. It has no railway. The road into the city is a single carriageway.

The airport is only a few miles from the M5 motorway, but the roads to it are tortuous.

It is this issue of location which hovers over a public inquiry being held by the Department of the Environment. British Aerospace wants to develop the airfield next to its Filton works in north Bristol into a commercial airport, with freight and scheduled services.

It has all the transport links which Lulsgate lacks.

Although, under the terms of BAe's application, Filton would not be a fully-fledged regional airport, business groups such as the regional Confederation of British Industry regard it as an essential step forward in the region's economic development.

The inquiry was called after Northavon council, the planning authority, failed to rule on BAe's application within the statutory period. In recent years, thousands of houses have been built near Filton, and the council has been put under pressure by residents worried about noise.

Northavon is now opposing BAe's plan, even though the company argues that it must make better use of its airfield to safeguard the Filton works, where more than 5,000 people are employed.

Bristol city council is also opposed to a Filton airport because it owns Lulsgate, which plans a new £14m terminal capable of handling 2m passengers a year but needs private investment.

It is the success of Lulsgate, despite its handicaps, which proves the demand. It had 1.2m passengers in the year to March 31 and made record pre-tax profits of £3.6m. While most of its passengers are for charter flights, scheduled traffic is growing. In its winter timetable, Lulsgate has 170 scheduled departures a week, including flights to Amsterdam, Brussels, Paris and Jersey. Although long-haul flights are restricted by its runway, a daily Aer Lingus service has started to New York. Brymon, the British Airways subsidiary, uses the airport as its hub.

BAe proposes not more than 350,000 passengers a year at Filton and contends that the two airports could co-exist, with Lulsgate handling charter traffic. Bristol council says that Filton, if restricted to BAe's announced limit, would do little to meet projected demand of about 4m passengers by 2010. This demand would

Clifton suspension bridge *Picture: Lydia van der Meer*

therefore have to be met at Lulsgate, but the council warns that tha necessary investment might be frustrated by a second airport.

What does seem certain is that any investment will remain on hold until the outcome of the inquiry, due to end in January.

While this is the most contentious transport issue in the region, it is by no means the only one. The construction of tha Batheaston bypass, north of Bath, drew national attention this year as objectors camped out in tents and trees to try to stop the contractors.

While the protestors ultimately failed, they highlighted the dilemma of striking a balance in satisfying two opposing pressure groups which are particularly vocal in the west of England.

On one hand, there are the environmentalists and, on the other, business groups calling for road improvements.

Where there would be agreement is on the need to upgrade rail services, especially by the electrification of the London line. There are no through passenger services to the Channel tunnal, although there is a firm proposal for a freight terminal at Avonmouth which would link with the tunnel.

There is also general agreement that Bristol, where the road network is overcrowded, needs a rapid transit system, despite the collapse of a previous scheme for a metro tram system. Avon county council is the lead promoter for what it calls the Westway network. It is preparing an application for a government grant to finance most of the estimated £202m cost for the first stage. Private sector funding would also be required.

The first line would run from north of the city to the south. Dr Roger Newport, the project manager, hopes operations will begin by 2002 and the network could eventually include other routes. While the type of vehicle has yet to be decided, the council envisages vehicles using electrical overhead lines. It believes two thirds of the passengers would otherwise be using cars.

A "people-mover" system is also proposed by Bristol Development Corporation to connect its Quay Point scheme by light tram to the city centre. The BDC, which has complained of "a lack of urgency" in transport policy, opened a spine road this summer which keeps some traffic out of the city centre by connecting the M32 motorway and A4 Bath road. In contrast, the county council says a proposed extension of tha Avon ring road, badly needed to help to regenerate south Bristol, is only in its "longer-term ambitions."

The local authorities have been criticised for seeking to discourage vehicles in Bristol while doing little to provide an alternative other than cycle-ways in what is a particularly hilly city. A more balanced policy has begun to emerge, with bus and taxi priority lanes and the start of park-and-ride schemes.

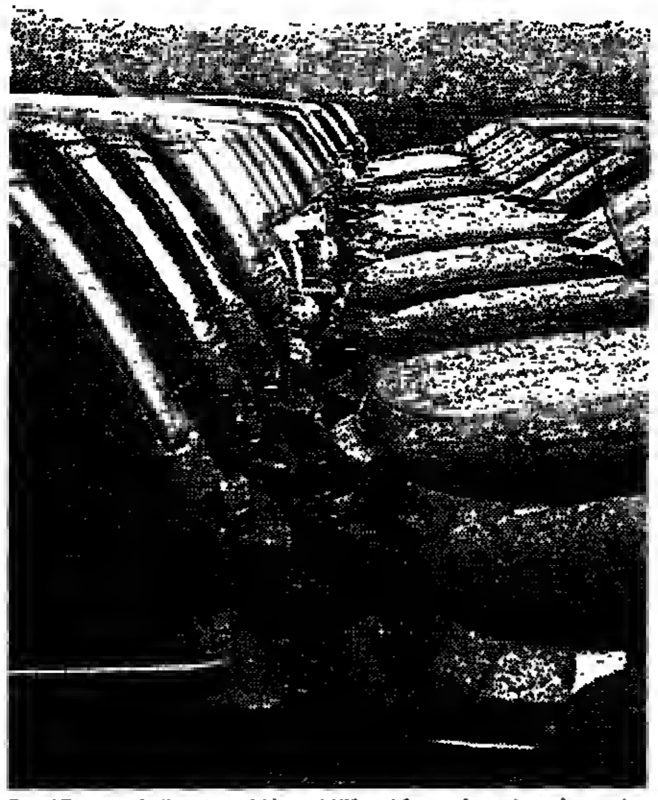
Mr Trevor Smallwood, chairman of Badgerline, which operates the City Line buses in Bristol, says the first park-and-ride scheme, which opened this year, is being used by 1,000 people a day, "in advance of expectations."

One imaginative project being promoted by Mr Smallwood's company is an Avon Gorge expressway, which would use an old single-track railway as a guided busway between Portishead and the city centre. Linking with two park-and-rida schemes, it could run as many as 60 buses an hour in the peak-hour direction of travel.

BRISTOL VI

A Korean ship departs from Royal Portbury Dock after unloading cars

Picture: Lydia van der Meer



Royal Portbury is the second-biggest UK port for car imports and exports

Roland Adburgham on Bristol port and Severnside

A transformation

Motorists surging down the M5 motorway towards Somerset can hardly fail to notice, as they drive past the Avonmonth industrial complex beside the Bristol Channel, that something big is happening.

While the steel structures and vapour clouds of large-scale chemical processes are still evident, there are also gleaming white buildings, the size of aircraft hangars, next to acres upon acres of parked new cars.

The transformation is caused by the expansion of Bristol port since it was privatised three years ago. Its success "is the best thing that has happened to Bristol in 50 years," says Mr St John Hartnell, chairman of property consultant Hartnell Taylor Cook, which manages the docks' estate of 2,500 acres.

While Mr Hartnell would declare an interest, others have been equally impressed. The port, together with the second Severn bridge which is under construction, has become a catalyst for development plans around Avonmouth. The biggest scheme, being promoted by ICI, covers no fewer than 1,500 acres, an area stretching for more than 4km.

Even before the new bridge opens in 1996, the docks have the benefit of direct access to the M5 motorway, near to its junction with the M4, and of a recently-upgraded link to a main-line railway. "It is a very well-placed strategic port," says Mr Hartnell.

The port, which straddles the river Avon, took over from the old city-centre docks, where commercial trade died because of the difficulties of navigating the river and restrictions on the size of vessel.

On the north side of the river is Avonmouth dock, which is used by container and general cargo ships, and where Bell Lines opened a £3.5m container terminal in December last year.

On the south side is Royal Portbury, completed as a deep-water dock in 1978 and capable of handling ships up to 130,000 dwt.

Bristol city council, the then owner, was burdened with debt by its construction and could not win enough trade to be profitable.

In consequence, the council sold the port in 1991 for £36m, free of debt, on a 150-year lease to First Corporate Shipping, a private company run by Mr Terence Mordaunt and Mr David Ord. They are chairman and managing director of the operating subsidiary, Bristol Port Company. The council retains a 12.5 per cent prefereotial stake and has a seat on the board. Since the takeover, £150m has been invested by the port and joint venture partners in new facilities.

"Everything that happens here, happens at break-neck speed," says Mrs Julie Gough, of Bristol Port Company, which has a permanent workforce of 172 including apprentices. Since 1991, tonnage has increased by 2m tonnes to 6.6m tonnes and profits have risen each year. Revenue in the last financial year grew from £21.6m to £32.7m.

To date, most of the expansion has been at Royal Portbury which has become, after Sheerness, the second-biggest UK port for car imports and exports. These have doubled in three years to about 300,000 vehicles.

Honda, Mitsubishi, Proton, Rover, Toyota and the Fiat company Walon have parking space which totals 282 acres. Computerised systems enable a car's arrival to be processed in less than 40 seconds.

In May last year, an £80m investment in a bulk handling terminal was made by a joint venture with Natiooal Power. Although in its first year the terminal only handled about 1m tonnes of coal, compared with a capacity of 5m, it is a common-use facility which also carries fertilisers, aggregates and grain derivatives.

This year, Agricultural Bulk Services, a joint venture between the port and United Molasses, invested £6.5m in doubling storage for animal feeds, only a year after the facility opened at Royal Portbury. New sheds have been built for a forest products terminal. Lafarge Plasterboard imports gypsum for a factory which it opened at the port in 1989.

On the dock estate, infrastructure is oearly completed for Portbury West, a joint venture with Bryant Properties for a 30-acre distributioo park, lotended eventually to have more than 1m sq ft of industrial space. Further south, Woodspring council has given approval for a 52-acre business park near Westoo-super-Mare and outline consent for a 1.6m sq ft business park at Weston airfield.

North of the river Avon, another distribution park called Severn Gate is being developed on a 60-acre greenfield site by AMEC Developments and RTZ Estates.

RTZ is promoting a scheme to build nearby an intermodal rail-freight terminal which would link to the Channel tunnel.

At Severnside, north of Avonmouth, ICI inteods to develop 1,500 acres around its fertiliser works and Avlon plant, owned by Zeneca since the demerger. At present, tenant farmers use the land for grazing, but the land has been held as a strategic reserve and ICI has had outline planning conseot since 1957 for industrial and commercial use.

ICI has realised it will never require the land itself although the fertiliser plant, where 230 people work, remains open and Zeoeca is keeping some acreage for planned expansion. Instead, it has decided the time has come to unlock its value.

That value, it believes, is enhanced oot only by the port but also the M49 approach road to the secood Severn bridge, which crosses the land. ICI is applying for an intersectioo to give direct access.

One hitch is that agreement has yet to be reached with the highway authorities for the siting of the slip roads, which will be partly funded by the private sector. In consequence, the junction is unlikely to be ready wheo the new bridge opens.

ICI, with King Sturge as property adviser and planning consultant, has begun to market the land under the name Western Approaches and is bolding meetings with local people oo mitigating the environmental impact.

Planning consent is being sought for a first phase – a distribution park of 2.3m sq ft of warehousing on 130 acres of a landscaped 200-acre site. Future development could be a mixture of distribution space, industry including high-tech and research activity, and possibly a leisure complex and some housing.

The company estimates that over a 15-year period, between 5,000 and 7,000 jobs could be created.

"The capacity for economic development is enormous," says Mr Andrew Sturt, ICI's group property manager.

"It will be a major contribution to the industrial and employment base of the region."

BRISTOL DEVELOPMENT CORPORATION

Striking evidence of regeneration efforts

Many of the people flocking this autumn to a 14-screen, 3,600-seat Showcase Cinema at Avon Meads in Bristol will be unaware that only a year ago the site was derelict.

The American-style development of a 26-acre site at Avon Meads and Castle Court is, as yet, the most striking evidence of the regeneration efforts of Bristol Development Corporation on 900 acres near the city centre. Alongside the Showcase Cinema, opened in August by National Amusements of the US, there is ten-pin bowling, fast-food restaurants and a parade of stores.

This month, an 85,000 sq ft Cargo Club was opened by Nurdin & Peacock, its third UK membership warehouse, in which goods are sold off pallets and racks at low prices. More than 12,000 people had paid the annual membership fee of £25 by opening day.

Avon Meads and Castle Court, which have been developed for the BDC by Wilson Connolly, have free parking and, because of a new spine road, can be reached without driving through the congested city centre. The road itself, named St Philips Causeway, was opened in July and links the M32 motorway with the A4 Bath road.

While the leisure and retail complex has won popular approval, the BDC itself has been, in some quarters, highly unpopular. One of 12 such corporations in England, it was created by the government in 1989 with planning powers to regenerate land suffering from dereliction and poor access. The Labour-controlled city council failed in a court action to stop it.

The BDC's aggressively market-led strategy did nothing to improve relations with the council. Critics of the government's concept of the corporations argue they have a high cost per job created – and poorly targeted benefits.

Relations between the BDC and the city council, although still uneasy, have improved over the past year and the council's Labour leader, Mr Graham Robertson, has joined the board. Recently, however, tensions have resurfaced with the BDC's plans for its flagship site, Quay Point.

Mr Miles Collinge, the BDC's pugnacious chief executive, makes no apologies for the corporation being a commercial organisation driven by market forces. He does not disguise his frequent impatience with the city authorities. "Bristol of all cities has a capacity to emit negative messages," is a typical comment.

The BDC concentrated on infrastructure first – notably on St Philips Causeway, which cost £47m. The design-build contract was completed by Balfour Beatty ahead of schedule and on budget. Mr Collinge describes the road as of "mega-significance" and says the area it serves "didn't have a future without it."

One scheme, intended to complement the spine road, is for a weir to improve the appearance of the river Avon, which becomes a muddy ditch at low tide. But although a parliamentary bill to build it was unopposed, funding has yet to be found.

Development which has proceeded includes, in partnership with Nationwide Building Society and five national housebuilders, an urban village called Avon Riverside. So far, about 300 houses, out of a planned total of nearly 1,000, have been completed. The main office relocation has been by NatWest Life, which has taken a headquarters building on the waterfront.

> The BDC says 2,250 jobs have been created, with many more forecast

The BDC says 2,250 jobs have been created, with another 1,000 expected from schemes in progress. It forecasts there will be, eventually, 18,800 direct and indirect jobs and predicts that private investment of £820m will be secured.

In May, the BDC, due to be wound up in December next year, published an exit strategy together with a review by KPMG Management Consulting. KPMG said the recession had caused developments to come onstream later than originally forecast, but "despite this background the BDC has successfully brought about development and laid the foundations for strengthening interest as the economy and the property market recovers."

The review said the BDC had identified opportunities which had not been seen by the council. The potential had been transformed by improvements to the infrastructure and environment. Twelve sites already had some development and a further 13 were being marketed. "There is no evidence that this turnaround... could have been achieved with the BDC's activities," KPMG said.

The most grandiose project is for Quay Point, which the BDC believes will be a gateway to the city of international status. It is a triangular site of 23 acres next to Temple Meads railway station, the city's ring road and on the waterfront. The BDC, with Wilson Connolly as preferred developer, hopes to have a 2m sq ft commercial centre, attracting £400m of investment.

In addition to offices, the BDC wants a quality hotel, leisure attractions and, most controversially, 350,000 sq ft of shopping including a department store and mall. The scheme is attacked by those concerned about the impact on the city's Broadmead shopping centre, and on a proposed Harbourside development on the waterfront.

The council's view is that a strategy for central Bristol should be by devised by agreement, not competition. Mr Collinge's view is that the real threat to the city centre comes not from Quay Point, but from out-of-town development.

Despite Quay Point having been marketed for some time, no deal has yet been struck for a department store. Mr Collinge, while saying that remains the preferred option, indicates the scheme could be adapted to have less retail space, more confined to support shopping for office workers. But he comments: "We do not believe in mono-cultural development, whether retail, leisure or office. A development blossoms more in a city if it has a mix of uses.

"This corporation wants to do nothing but strengthen the heartbeat of Bristol. Why allow this site to continue to moulder? It is the most accessible site and why not recognise that, and say it is the central business district?"

Mr Collinge comments: "My great sadness is that the vision of the BDC has not been shared. There has been squabbling argument with third-division politics trying to kill the BDC. Cities like Birmingham and Manchester have had a strategic vision in harmony with the private sector."

He adds: "Potentially we're a very competitive city and, if we got our act together, we could knock spots off other cities."

BRISTOL VII

Businesses are moving out of town, reports **Roland Adburgham**

City centre versus outskirts

When John Lewis, the department stores group, announced this year it would close its Bristol store in 1997 and move to Cribbs Causeway, an out-of-town regional shopping centre, it sent shock waves through the city.

It reinforced fears that Bristol was in danger of succumbing to the "doughnut" effect, with retailers and companies moving to the city fringes and leaving a hollow centre.

To the north of Bristol, in particular, there has been substantial development.

This includes a £254m procurement headquarters being built for the Ministry of Defence. At more than 1m sq ft and designed for 5,700 staff, this is said to be the UK's largest current office development.

Another big project nearby, on the Parkway business park, is a 600,000 sq ft headquarters for Sun Life which will house 2,400 staff. The staff will relocate from separate buildings in the city centre, reinforcing the "doughnut" fears.

Cribbs Causeway itself is north of Bristol, next to the M5 motorway. A development by Prudential Assurance and JT Bayliss, it is planned to have 650,000 sq ft of retail space, with John Lewis and Marks and Spencer taking a total of 230,000 sq ft.

After two public inquiries, the shopping centre was approved by the environment secretary in 1991, before his department's tardy awareness of the effect on town centres of out-of-town stores.

John Lewis's existing store is a mainstay of the city's principal shopping centre, Broadmead. It is a post-war centre, showing its age, with a dreary environment and poor access.

As a result, it is calculated that Bristol attracts lower retail spending than should be expected of a regional capital.

What John Lewis's decision has achieved is a concentration of minds. This has been further encouraged by tha retail aspect of Bristol Development Corporation's proposed Quay Point, which is also perceived as a threat to Broadmead. For its part, the BDC argues that Quay Point, by improving the city's range of shopping, will help to arrest Broadmead's decline.

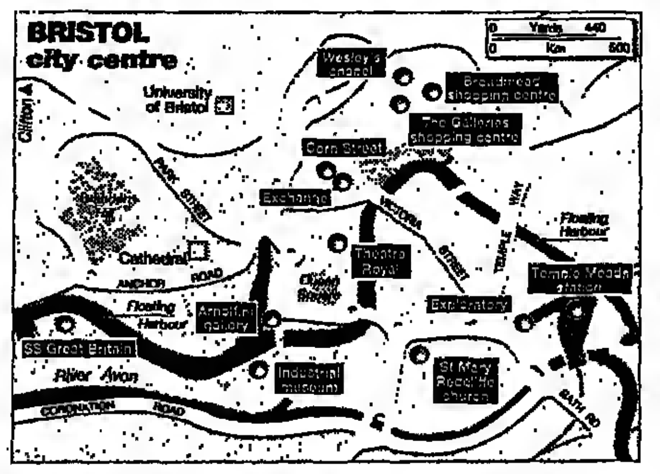
There is now a positive intention to improve Broadmead by the council, which is the landlord, the retailers, and Bristol Chamber of Commerce and Initiative. "Broadmead is not dead but it is sick – it needs revitalising," says one leading chamber member. "But I think with co-operation between the chamber and city it can be solved."

Edward Cussen: identifies a positive spirit of co-operation between the public authorities and private sector

A new retail occupier is being sought for the five-storey John Lewis building.

One improvement already has been the Norwich Union development of the Galleries' enclosed shopping centre near Broadmead. Although it opened during the recession, it has let reasonably well.

For companies, the attractions of being north of Bristol have been tha liberal planning policies of Northavon district council plus access to the M5 and M4 motorways.



For example, the long-established Aztec West business park, managed by Arlington, has more than 80 companies. Pearce Developments has started infrastructure work for a second Parkway business park on 40 acres.

At Bristol Business Park, a 38-acre site in north Bristol, contracts were exchanged this month between Bristol & England Properties and Barclays Bank Pension Fund for the funding of its second phase. Tha £11m scheme is described as one of the largest speculative fundings in the Bristol area for five years.

Longer-term, there is the prospect of commercial development on 400 acres at Emersons Green.

In contrast, companies have complained of transport and parking difficulties in the city centre and, at least until recently, of an unhelpful attitude by Bristol council.

Hartnell Taylor Cook, the property consultant, describes the council as having hitherto taken a regressive attitude towards office development. Car parking was restricted to a ratio of one space per 5,000 sq ft. "This policy has proved commercially unacceptable," it remarks.

Under its draft local plan, the council has revised that to one space per 2,000 sq ft.

Mr Edward Cussen of King Sturge, comments that there is now a positive spirit of co-operation between the public authorities and private sector. "Coupled with this are some outstanding development opportunities and signs that demand is increasing."

The doughnut effect may prove to have been exaggerated. Demand for space in the centre has not dried up, as indicated this year by Midland Life taking 30,000 sq ft of offices and Direct Line, the insurance company, occupying a 50,000 sq ft block.

"Instead of the city centre vacuum which was feared, big employers have moved in this year, bringing hundreds of new jobs with them," says Mr Mike Henry, of Chesterton, the property consultant.

King Sturge reports rents remain below £20 per sq ft but incentives to tenants are disappearing. In fact, there is a severe shortage of large, good quality offices in the centre.

One plan is for Stonecutter Court, where Chesterton seeks an occupier for a proposed 113,000 sq ft building.

Eaglebrook Properties has consent for Marlborough Gate, with 47,000 sq ft. Helical Bar has a speculative scheme at Venturers House, funded by Norwich Union. And Courage has applied for planning consent for 93,000 sq ft of offices on a disused part of its brewery.

One deal just completed is the sale of the 26,000 sq ft Armourers' House for nearly £3.2m to clients of Henderson Property Fund.

While Quay Point is a heavyweight project, it is rivalled in its ambitions by plans – promoted by the council – for Harbourside, a mixed-use scheme on the waterfront. The site is potentially one of the finest of any British city bnt has remained largely derelict for many years. At long last, agreement has been reached among the landowners and English Partnerships, the government's regeneration agency, has indicated support.

COMMUNITY ENTERPRISE

Information 'highway' to stimulate regeneration

At first sight, the electronic world of the information "superhighways" is far removed from the unemployed of Hartcliffe, a deprived part of south Bristol which gained national notoriety in 1992 because of rioting, writes Roland Adburgham.

Hartcliffe is not a typical inner-city suburb. When its post-war housing estates were built by the local authority, tha planners might have believed they were creating a desirable environment. Set within sight of fields and hills, Hartcliffe has wide streets, green spaces, houses with gardens and only a handful of high-rise blocks.

In common with many other imposed ideas, it was badly flawed. Hartcliffe lacked shops and community facilities. It was isolated by several miles from the city centre with no rail service and poor road connections. Crucially, there was no social mix of housing.

There was also over-dependency upon a single employer, a Wills tobacco factory. When that closed four years ago, about 4,000 people lost their jobs. No alternative use for the factory has yet been found by Hanson, the owner. Despite the establishment of a business park in Hartcliffe, attempts for large-scale job creation are handicapped by the inadequate transport links. Unemployment is above the Bristol average and rates of economic activity are low.

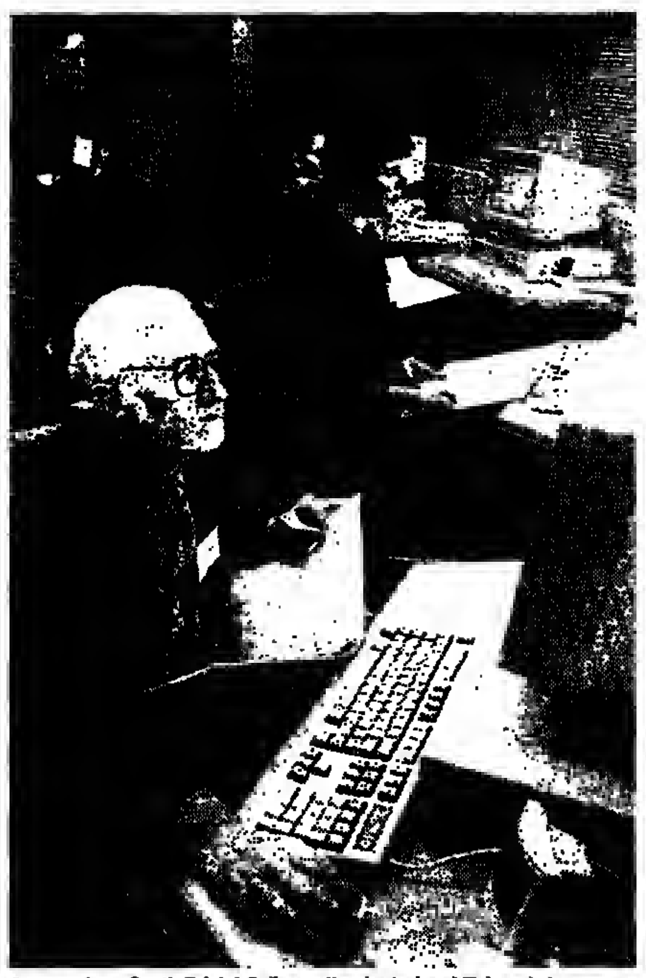
It is against this background that an innovative project has been launched as a stimulus to regeneration. The South Bristol Learning Network (SBLN) intends to develop a cable-based telecommunications infrastructure not for commercial gain but community gain.

The concept is that cable, by linking houses, businesses, schools and other organisations, helps to circumvent transport problems and provides access to local, national and international information sources.

The network has potential for use as a billboard, for interactive TV programmes, pnblic access broadcasting and teleworking. The hope is that it will improve the skills of the labour force, encourage life-long learning and help to rebuild a sense of community.

Funding of £750,000 has come from Avon training and enterprise council, which secured the money last year under the government's Tec Challenge competition. The partnership project, developed jointly with South Bristol College, is using a cable network laid by United Artists.

Mr John O'Hara, the evangelistic project leader, sees the network as a prototype which can be replicated across the country. Considerable interest has already been shown in the US. He emphasises how the SBLN contrasts with the usual "top down" development of information superhighways, with little involvement at community level. "Tha potential for cultural change is immense," he says. "While the first responses of local people are usually negative, subsequently they become more positive as they see how they can shape the technology for their own ends."



A group from South Bristol College attend a 'cyberskills' workshop

Staff for the SBLN have been recruited locally from among the unemployed, who mostly lacked skills in new technology. More than 50 employees have been trained, more than half of whom had been previously out of work for at least six months. They come from a variety of backgrounds and ages, ranging from 19 to 60. An assessment of the project for Avon Tec reported: "They have set about their tasks with enthusiasm, drawing on previously untapped energy and expertise."

This month, the SBLN started "cyberskills" workshops at ICL's offices in Bristol to create a city-wide awareness of the potential of multimedia. Mr Malcolm Napier, ICL's business development manager responsible for the company's lifelong learning strategy, describes the workshops as "giving first-hand experience of what the superhighway means."

> 'Community influencers' will see how to use Internet, e-mail, CD-Rom and video-conferencing

The workshops are being run by SBLN's staff and undergraduates from the computer science department of Bristol University. They are sponsored by ICL in association with Avon Tec, BT, CompuServe and South Bristol College. Over the next few months, the workshops will demonstrate to 1,000 people, identified as "community influencers", how to use the Internet, e-mail, CD-Rom and video-conferencing.

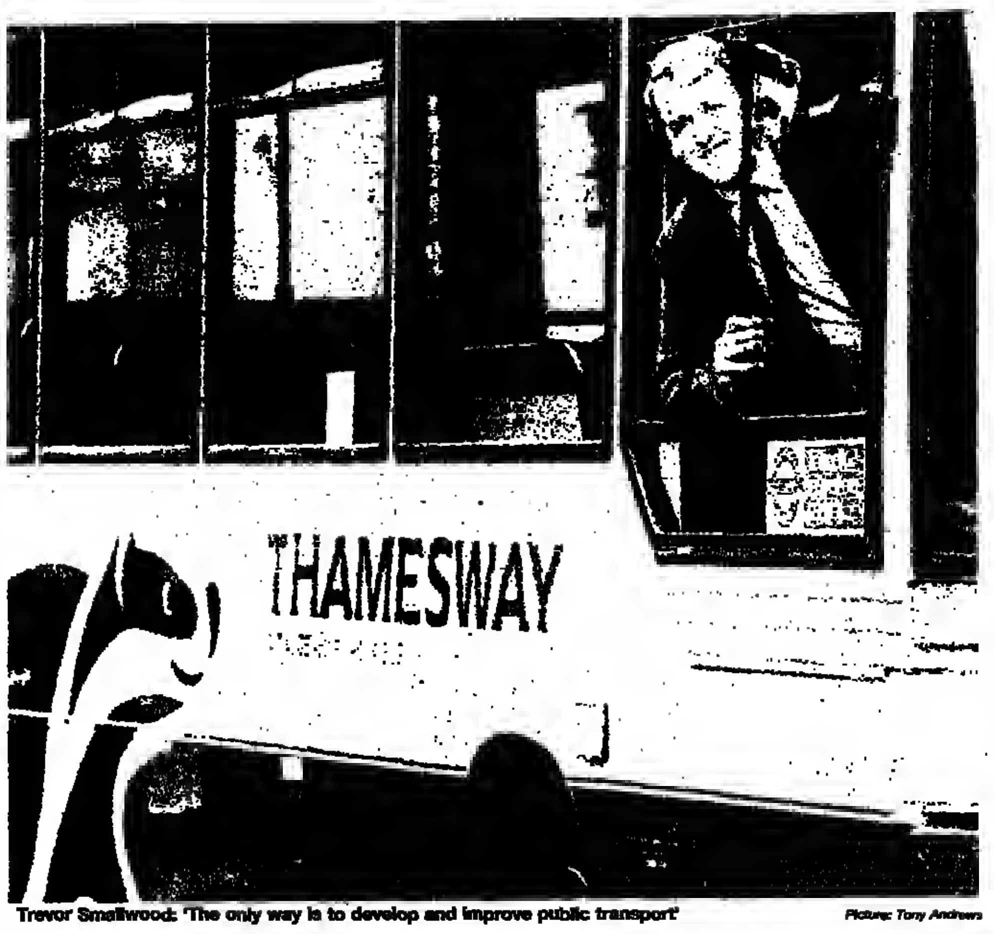
In job-creation terms, the SBLN will have limited impact on Hartcliffe, at least in the short-term. But it is indicative of a realisation that there is no single or simple solution to the area's problems.

A separate partnership scheme to raise the Hartcliffe skills base and improve the community is the Gatehouse Centre. This £1.5m building, to open next year, is being funded by tha government with a £500,000 urban partnership grant, the city council and the private sector, which has so far donated £350,000. Initiated by Hartcliffe & Withywood Ventures, it will include a training centre with a nursery, light industrial units, meeting room, cafe and shops.

Another local community project, to help young people, is Hartcliffe Leisure. This is a company set up in partnership with the Bristol Chamber of Commerce and Initiative to organise a range of after-school activities. One of the grants which helped to establish it came from the Greater Bristol Foundation. A charitable trust set up in 1987, the foundation provides a professional service for donors who want to support local causes but who need advice on identifying potential beneficiaries.

The foundation now has an endowment fund of more than £2m, contributed by a wide range of companies, organisations, charitable trusts and individuals. It has distributed more than £700,000 to more than 300 schemes and groups. The priorities are projects for young and disabled people, the homeless and those disadvantaged by isolation.

Penny Johnstone, the director, says that the outside view of Bristol as a prosperous city does not tally with the evidence of areas of deprivation. But within the city, she says, there have been large strides in the past few years in the willingness of people to collaborate in supporting such projects.



Trevor Smallwood: 'The only way is to develop and improve public transport' Picture: Tony Andrews

COMPANY PROFILE: BADGERLINE

Set for expansion

The headquarters of what has become Britain's second-largest bus operator might be assumed to he utilitarian offices next to a noisy depot. Instead, it is to be found in a renovated farmhouse six miles from Weston-super-Mare, surrounded hy fields and approached across a cattla grid.

Badgerline employs 10,700 people and runs 3,900 vehicles. But at tbe headquarters – renamed *Badger Manor* after the company moved there in 1989 – there is only a dozen staff.

From this modest base, Mr Trevor Smallwood, the executive chairman, and his fellow directors saw tha company floated oo the stock exchange in November last year, raising £35m.

The company was established in 1986 wheo it was bought out by its management and employees – Mr Smallwood was the managing director – from National Bus Company as part of tbe government's privatisation programme.

Badgerline then had an annual turnover of £15m and 400 vehicles.

For the half-year to June 30, it reported a turnover of £93.3m and pre-tax profits of £5.4m, up from £2.6m in the same period last year.

The flotation, with the Bristol offices of KPMG Peat Marwick and Burges Salmon, the law firm, as advisers, was intended to provide funds for expansion and acquisitions.

As a result, PMT Group, hased in Staffordshire and Cheshire, was bought for £23m and the Yorkshire-based Rider Group for £38m.

The two companies, which have a total fleet of nearly 1,600 vehicles, have already boosted profits.

Mr Chris Carr, marketing director, pronounces the company as "very satisfied" with its decision to float.

In Bristol, Badgerline is known for its City Line subsidiary, whicb has 1,000 staff, a fleet of 353 vehicles, and a turnover of some £23m.

Mr Smallwood says that, since deregulation, the number of buses in the area has risen from 207 to 319 and operating miles have increased greatly. More than half the fleet has been replaced in the past four years.

Overall, Badgerline has bought 370 new vehicles this year.

This summer, it placed orders for 900 vehicles at a cost of almost £60m, believed to be the largest order yet placed hy a noo-publicly-owned bus company.

Mr Smallwood, whose career began with *Yorkshire Traction* in 1966, comments:

"There is public recognition that we cannot continue in urban areas to use the car *ad infinitum* – the only way is to develop and improve public transport."

Roland Adburgham

GWR GROUP

Taking stakes in other companies

Few radio listeners in the west of England will not have beard the slogans "Better music mix" and "No rap, less chat," writes Roland Adburgham. Remorselessly, they are repeated on GWR-FM, the commercial radio station. Mr Chris Scott, station director in Bristol, describes them as "positioning statements."

In terms of position, GWR Gronp, based in Bristol and Swindon, has established itself as the UK's biggest commercial radio company after Capital Radio. Earlier this year, it took over a clutch of Midlands and *East Anglian stations* and now holds the permitted maximum of 20 radio licences.

While lobbying the government to raise the limit, it has been taking stakes in other radio companies. It holds 17 *per cent of Classic FM*, tbe national commercial station, and has shareholdings in various companies from Plymonth to York.

In July, GWR, wbich is qnoted on the unlisted securities market, won Price Waterhouse's award for the West of England business of the year. In the six months to March 31, lt had a turnover of £7.8m, an increase of 90 per cent on the same period last year. Pre-tax profits nearly trebled to £930,000.

In tbe west, GWR-FM, together with its sister AM *statioo Brunel Classic Gold*, lifted the combined market share to 30 per cent this summer, based on Radio Joint Aodience Research, compared with 20 per cent in the same period last year.

Mr *Simon* Cooper, area director for GWR Sonth, stresses the groop's policy of "listener-responsive radio" for increasing andiences. Outpnt is heavily influenced by telephone interviews, in which listeners are *asked to rate songs* on a scale rangiog from "haven't heard lt" or "dislike it" to "I really like the song."

The format of oews bulletins is also influenced by listener research. There is strong interest sbown in local and UK news, but very little in reports abont tba royal famlly. Mr Simon Cooper, area director, explains that this is because *royal stories* are mainly visual in appeal.

The group's ambitions oow include expansion in eastern Enrope. In Poland, it has taken a stake in Inforadio in Warsaw, in partnership with *BBC World Service. It has also* a 48 per cent holding in Radio FM Plus in Sofia, Bulgaria.

Back in Bristol, at GWR's stodios at tbe Watershed media centre, a "positioning statement" jingle bas heen recorded for the *Sofia* station. In Bulgarian, it means "Only hits."

Stella Pirie: the chair of radio station GWR Bristol

Simon Cooper: stresses policy of 'listener-responsive radio'

PARRAGON BOOK SERVICES

Aiming for impulse purchases

Avonmouth is not Bloomsbury, and Parragon Book Services, with its premises next to an M5 motorway junction, may not be as familiar a name as Thames & Hudson or Macmillan. But last year, it sold 12m books and this year expects to reach sales of 20m.

PBS was set up only six *years ago by Mr Guy Parr and* Mr Paul Anderson, both of whom had worked for W.H. Smith.

Their philosophy is simple: to sell books at such low prices that they will be bought as impulse purchases in large quantities at supermarkets, motorway service stations, newsagents and bargain bookshops.

The company now employs more than 80 people. Pre-tax profits dipped in 1993 to £404,000 but Mr Anderson says: "We have tightened up the running of the business."

Ha expects profits of more than £1m this year on turnover of about £20m.

The company, which contracts out its printing, supplies books to Asda, Co-operative Retail Society, Presto, Safeway and Tesco supermarkets.

"By doing large print runs, we can get the cost-price down," says Mr Anderson. "We are very much a sales-driven *company.*"

One element of this is computerised stock control – "We had our own software written for us from day one."

This year, it set up a publishing division to produce its own titles, with 3i, the venture capital group, investing £1m to take a 10 per cent equity stake.

Mr Anderson says the company has no immediate intention of seeking a stockmarket flotation, "but we keep open our options for the future."

Its publishing division will specialise in cookery, gardening, art and children's books.

The most recent titles are a series called "Quote Unquote", featuring Marilyn Monroe, Elvis Presley, the Beatles and Laurel and Hardy. And it has published a series called "life and works" of famous artists, *selling at just £1.99 a copy.*

Roland Adburgham

COLLEAGUES DIRECT MARKETING

'Still pushing strongly'

One industry which has *expanded in Bristol and the* west of England is direct mail, as exemplified by Colleagues Direct Marketing, the award-winning private company based in Bath, writes Roland Adburgham.

Mr James Robson, chairman of Colleagues, which he and his wifa started in the city in 1987, has grown rapidly to have a likely turnover this year of £40m, a leap of £12m on the previous year.

It is, he says, "still pushing very strongly" and he expects sales to reach £57m next year.

Pre-tax profits of £2m in 1993 are targeted to reach just over £3m this year. "We have made a profit from day one," says Mr Robson, "and it has risen by leaps and bounds."

There are plans, subject to market conditions, to float the company on the stock exchange.

Mr Robson and his co-directors have a controlling interest in the company, but all 80 employees are *shareholders. "The sense of* participation in the company is very important."

Charterhouse, the venture capital group, has a 20 per cent stake.

Colleagues specialises in high-volume direct mail for clients such as Barclaycard, British Telecom, Reader's Digest, Sun Life, Vernons Pools and leading charities.

The company offers a service of "recruitment activity" – finding potential customers – and designs and organises mail-shots and analyses the response.

Mr Robson attributes Colleagues' expansion, despite the recession, to a combination *of two factors*:

Companies have become less indiscriminate in their advertising and are increasing their use of direct mail to have a more targeted approach, giving better value for money.

Secondly, there are new clients which have never previously used direct mail.

The unusual name of Colleagues was chosen to reflect that "a company is a company – not one or two egos – *and we want to work* with our clients almost as if we were on their payrolls:

"Our clients see us as genuine partners – more as colleagues than as an agency."

Mr Robson says that both he and his wife have always *felt* as if the west country were their natural home.

"Bath has been an excellent choice for us. It has worked very well. The only problem is the great difficulty in finding *office accommodation to match* our growth – we are now in three buildings."

The unusual name of Colleagues was chosen to reflect the fact that 'a company is a company – not one or two egos' says Mr Robson

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

BK Vision wins UBS injunction

BK Vision, the investment fund controlled by Mr Martin Ebner's BZ banking group which is challenging the management of Union Bank of Switzerland, has won an injunction preventing the bank from converting its registered shares into bearer shares until an appeal against the plan is heard. Page 22

Salvesen to focus on core units
Christian Salvesen, the UK distribution and specialist hire group, is looking to sell its pollution control and brick manufacturing divisions by the end of this financial year, raising about £60m ($93.6m) to invest in its core businesses. Page 22

Eurotunnel attacks Klesch
A furious row has erupted between Eurotunnel and Klesch & Company, the London-based bank debt trader, over a report issued by Klesch called "Eurotunnel Interim Results – Disaster Ahead". Page 22

BHF Bank's account trading hit
BHF Bank yesterday blamed the collapse in world bond market prices for a sharp slide in profits from trading on its own account in the first 10 months. Page 22

Akzo Nobel's hydro-power side for sale
Akzo Nobel, the Dutch-Swedish chemicals group, is planning to sell its hydro-power operations to Stockholm Energi, Sweden's third-largest energy producer. Page 22

Mellon Bank takes $130m charge
Mellon Bank of the US said it would take a $130m after-tax charge to cover investment losses of customers of its stock lending business following the fall in bond prices this year. Page 24

HNV closer to control of Heron
Mr Steven Green's HNV Acquisition yesterday cleared the first hurdle to gaining control of Heron International, Mr Gerald Ronson's property group, by getting substantial support from ordinary shareholders for his offer. Page 28

Chelsfield forms property venture
Chelsfield, the property company run by Mr Elliott Bernerd, has formed a joint venture to buy some of central London's most expensive residential property for £48.5m ($79m). Page 28

Barr feud continues
The family feud at Barr & Wallace Arnold Trust flared up yesterday as rebel shareholders rejected a last-ditch agreement with the board of the motor and leisure group. Page 28

Sidlaw on target with 33% rise
Sidlaw Group, the Scotland-based packaging, oil services and textiles company, yesterday revealed a 33 per cent rise in pre-tax profits, lifted by a full 12-month contribution from the flexible packaging businesses acquired from Courtaulds in late summer 1993. Page 27

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Linotype	328.5	+	8.5
MAN	422.8	+	8.3
Falls			
DLW	410	–	8
Kaufhof	439	–	11
Lahmeyer	649	–	17
Volkswagen	441.2	–	10.6

NEW YORK ($)			
Rises			
Chesapeake	32	+	1⅛
Telefonos	52⅛	+	1⅛
Falls			
Musicland Strs	11¼	–	1⅛
Penney (JC)	46½	–	1⅞
SPX Corp	15⅛	–	1
USA Waste Serv	11⅞	–	2⅛

New York prices at 12:30.

PARIS (FFr)			
Rises			
Bongrain	2850	+	120
Credit Local	419	+	10.5
Radiotechn	509	+	19
UFB Locabail	429	+	14
Union Immob Fr	447	+	15
Falls			
Cap Gemini S	189.2	–	9.6

TOKYO (Yen)			
Rises			
Jpn Mtls & Chm	495	+	24
Kandenko	1580	+	70
Nippon Sharyo	923	+	40
Shokusan Jutk	415	+	24
Falls			
Aoyama Trading	2120	–	230
Japan Airlines	681	–	29

LONDON (Pence)			
Rises			
Barr & WAT A	286	+	8
Brightstone	119	+	9
Carr's Milling	224	+	12
Costain	22½	+	1¼
DCC	203	+	8
Mersey Docks	386	+	10
Northern Elect	809	+	22
Racal Elect	229	+	11
SEET	57	+	5
Signet	23¼	+	1¼
Smith New Court	372	+	11
TSB	227	+	8½
Tottenham Hspr	138	+	15
Vickers	184	+	6
VideoLogic	31½	+	5
Falls			
Courtaulds Text	449	–	11
Hadleigh	115	–	8
Merrydown	85	–	4
Monarch Res	172	–	8
Utd Carriers	79	–	15

Bayer looks for less competitive sectors

Profits rise 32% as German group turns from established research areas to innovative drugs writes Christopher Parkes

Bayer, the German chemicals multinational, is to re-focus its pharmaceuticals research away from crowded market sectors and step up spending on the hunt for treatments for allergies, rheumatic ailments and Alzheimer's disease, according to Mr Manfred Schneider, group chairman.

Budgets for established areas of interest such as heart and circulatory disease therapies would be reduced in favour of those offering greater possibilities for discovering and exploiting innovative drugs, he said yesterday.

Reporting a 32 per cent increase in pre-tax profits for the first nine months of the current year, forecasting full-year earnings up from DM2.4bn to DM3.2bn ($2bn), and hinting of an increased dividend, Mr Schneider said he had no plans for any further acquisitions in the pharmaceuticals sector.

However, Bayer was in other takeover negotiations and was planning a major co-operative venture. He expected negotiations to be completed during the first quarter of the new year.

The group has recently spent DM2.1bn in the US on acquiring ChemDesign, a stake in the Schein generic drugs group and the self-medication business of Sterling Winthrop. Mr Walter Wenninger, the director responsible for pharmaceuticals said the group had six promising new drugs in the final stages of clinical testing.

Although some might not make it to market, they had a combined annual sales potential of up to DM5bn, he said. Among existing products, the antibiotic Ciprobay is expected to turn over more than DM2bn this year. He added that the Adalat high blood-pressure treatment had the potential to reach this level, while Gluxobay, already achieving sales of DM600m, would bring in mora than DM1bn once approved in the US.

The group as a whole had the potential to increase earnings to more than DM4bn a year within two or three years, Mr Schneider said. This year's result had been achieved with plant running at 85 per cent of capacity compared with 75 per cent last year and 90 to 95 per cent in the peak year of 1989.

Forecasting sales of around DM43bn for the current year, Mr Schneider said he expected foreign markets to grow more than Germany, where sales had risen only 1 per cent in the nine months to the end of September, and now accounted for less than 20 per cent of group turnover. Sales in north America had so far risen 8 per cent to DM7.8bn while sales in the far east were up 15 per cent at DM4.7bn.

The German market showed distinct signs of improvement in the third quarter, when sales increased 4.6 per cent.

Among sectors, the highest growth rates in the nine-month period were recorded in polymers and industrial products, both up 8 per cent in sales terms thanks to lively demand in the automotive and building industries.

Health care sales rose 5 per cent, although the Agfa businesa managed only a 1 per cent increase.

Lex, Page 20

Industry minister says privatisation should proceed after election

Renault sale likely next year

By John Ridding in Paris

Renault, the French state-owned motor group which was floated on the stock market earlier this month, should be privatised in the second half of next year, Mr José Rossi, the French industry minister, said yesterday.

"Today Renault is quoted on the bourse and has stable shareholders ... It should prepare itself for a new step, that of privatisation," Mr Rosst told the Senate, the upper house of the French parliament, while presenting his ministry's budget for 1995.

The remarks by Mr Rossi are the first indication of a timing for the full privatisation of Renault, a subject which is rendered sensitive by the company's status as a former trade union stronghold.

During the company's flotation, in which the government reduced its holding from 80 per cent to just over 50 per cent, Mr Edmond Alphandéry, the economy minister, said privatisation was "not the order of the day". The government has previously refused to comment on the possible timing of a full privatisation.

Officials sought to play down differences within the government. They said Renault was on the list of 21 public sector groups scheduled for privatisation by the centre-right government and that its sale was therefore expected. But some expressed reservations about Mr Rossi's remarks, arguing that it was not advisable to predict such an operation so far in advance.

Mr Rossi's comments will, however, reinforce the assumption of most industry observers that the French government will move to reduce its holding to a minority relatively quickly after next spring's presidential elections. "It always seemed likely that they would go below 50 per cent once the elections are out of the way," said one motor industry analyst at a French merchant bank.

The partial privatisation, which was completed on November 18, drew strong demand from employees and from institutional investors, who subscribed for more than 15 times the number of shares offered.

However, the issue was less enthusiastically received by individual investors, resulting in a subscription rate of 1.4 times the shares on offer. Strong institutional interest has pushed Renault's shares above the FFr165 offer price. Yesterday, the shares closed at FFr181.

Before a full privatisation, the French government has said that Renault must conclude partnerships with other industry groups to secure its future as a private company following the collapse of merger plans with Volvo at the end of last year.

Volvo retains just over 11.3 per cent of the shares in its erstwhile merger partnar, but Mr Soren Gyll, the chairman of the Swedish motor group, said yesterday it planned to sell its remaining holding when market conditions are favourable.

Mr Rossi also confirmed tha government'a intention to open the capital of France Télécom, the state telecoms operator. The proposal, which prompted strong resistance from unions last year, is aimed at cementing alliances with international telecoms groups. These include Deutsche Telekom and Sprint of the US.

Salvesen to sell units

Ashley Ashwood

Chris Masters, chief executive of Christian Salvesen, the UK distribution and specialist hire firm, hopes to sell two divisions to concentrate on core businesses. Story, Page 22; Details, Page 28

Williams stokes up fire protection

By Peggy Hollinger in London

Williams Holdings signalled a slowdown in its hectic acquisition campaign as it announced plans to purchase the fire protection arm of BBA Group, the UK automotive components company, for £80m ($131m).

The deal brings the total spent on acquisitions by the British diversified industrial group to almost £250m in the past 12 months.

Mr Nigel Rudd, Williams' chairman, expected the pace of acquisitions to slow. "We have got to digest these businesses first," he said. Williams has bought four other businesses since December, some of which were funded by a £267m rights issue in April.

Angus Fire, which makes hoses, foam and foam equipment for the fire industry, will propel Williams into the world number-one slot for fire hoses with 21 per cent of the £110m global market. Williams will also rank second after Monsanto of Italy in the manufacture of foam and foam equipment, with roughly 20 per cent of a market estimated at about £300m. Last year Williams fire protection division returned operating profits of £48m on sales of £249m.

Mr Rudd said there would be considerable industrial synergy and cost savings from merging Angus's operations with Silvani of Italy, the foam fire protection group acquired for £16.5m in October, and the company's Kidde subsidiary. He expected that within two to three years the business would be achieving a return on sales of about 15 per cent, against the 8 per cent.

Williams is expected to incur costs of between £3m and £5m for reorganising Angus.

For BBA, the disposal marks a step towards completing the restructuring launched last year. So far, the group has raised roughly half of the promised £200m in disposals.

Mr Roberto Quarta, BBA chief executive, said of the Angus sale: "It is a good fit for Williams and a good price for us." BBA expected a profit on disposal this year of about £22m.

Williams accompanied the announcement of the acquisition with a trading statement described by analysts as "rather dull". The company reiterated its comments at the interim stage that it expected to achieve its 1994 expectations. "That's not enough for a stock trading on a 12 per cent premium to the market," said one analyst.

Angus reported operating profits of £7m, on sales of £76.1m for the year to the end of December. Net assets were £27.4m.

Williams will pay £69.9m in cash and assume £10m in debt. The consideration will be subject to a net asset adjustment.

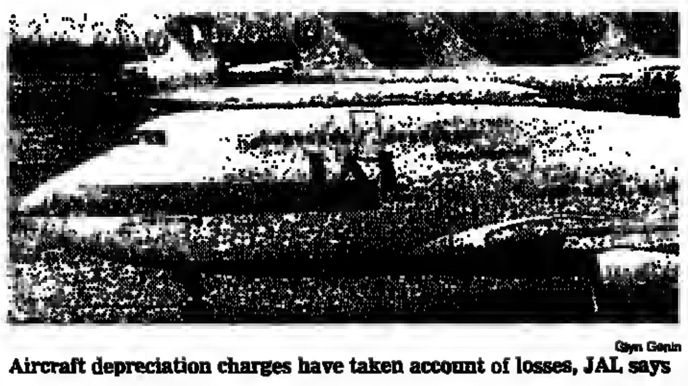
Lex, Page 20

JAL says Y176bn currency losses will not hit earnings

By William Dawkins in Tokyo

Japan Airlines said yesterday its earnings would be unaffected by estimated losses on 1985 forward currency buying contracts totalling Y176.3bn ($1.7bn) by the end of this accounting year.

The size of the figure, unconfirmed by JAL, caused a 4 per cent drop to Y681 in the share price, although analysts have long known that the airline is working its way through a huge pile of currency losses caused by the dollar's sharp fall against the yen.



Glyn Genin

Aircraft depreciation charges have taken account of losses, JAL says

JAL said the losses had already been accounted for in past and future aircraft depreciation charges. While unable to confirm the exact loss, calculated by the Asahi Shimbun newspaper from currency contract records, JAL said it was based on correct data, covaring the decade to March 1995.

Last month JAL announced Y43.9bn of unrealised currency losses for the two years until March 1997. It was JAL's first such announcement, a consequence of a change in Japanese disclosure rules to give investors more information about companies' currency exposure.

Others to hava disclosed currancy losses in their half-year reports include All Nippon Airways, with a Y10.7bn shortfall – also on forward dollar buying contracts – and 10 companies in the construction and electronics sectors.

JAL's currency shortfall comes from forward contracts to buy dollars for yen, at rates agreed in the mid 1980s, when the dollar was worth more. JAL needs to buy dollars every year, because it pays more than $1bn annually for fuel and aircraft, but earns most of its revenue in yen. Forward contracts allow it to calculate in advance the full yen cost of buying aircraft, even at the risk of a costly miscalculation.

The company used to take out long term futures contracts, running up to 10 years ahead, to fund its aircraft buying programme. Alarmed by the growing currency losses, Mr Susumu Yamaji, the president, earlier this year asked his finance department to buy dollars on shorter and less risky forward contracts.

JAL reported a turnround with a Y20.6bn recurring profit on its operations for the six months to September and is expected by equity analysts to make a small profit for the full year, turning the corner after three years of losses.

Finance Ministry orders derivative transparency

By Gerard Baker in Tokyo

Japan's financial institutions will be required for the first time to disclose information about their derivative holdings, the Finance Ministry said yesterday.

The disclosure rule is expected to focus on the type of derivatives contracts and their value, and could be enforced as early as next March, according to ministry officials.

The market in derivatives, securities such as futures and options contracts, developed in Japan in the late 1980s. Trading in many widely-used instruments is highly circumscribed by the Finance Ministry, but Japanese banks and brokers have been active in developing a market in those derivatives that are permitted.

In the last year regulators watched with alarm as the highly-geared nature of derivatives increased the exposure of companies to heavy losses. Earlier this month, one Japanese broker, Tokyo Securities reported that it had lost Y32bn ($324m) from contracts on currency options, a sum equivalent to more than a third of the value of its shareholders' equity.

The authorities have expressed deepening concern about the market, as Japanese companies previously were required to give only sketchy details about their derivatives portfolios.

Italian bank set to lift bid for rival

By Andrew Hill in Milan

Shares in Credito Romagnolo (Rolo), were suspended yesterday morning amid growing speculation that Credito Italiano (Credit), the Milan-based bank, was preparing an improved offer for its Bolognese competitor.

Credit revealed a month ago that it was planning a L2,000bn ($1.24bn) bid for a 48 per cent stake in Rolo which would give it control of the bank.

Rolo has reacted defensively, reviving plans for a merger with CAER, parent of the local savings bank, Cassa di Risparmio in Bologna (Carisbo).

Credit's shares fell by more than 4 per cent yesterday on speculation that the bank might have to pay as much as L23,000 a share for Rolo, against Friday's closing price of L17,096, and bid for a larger stake.

In its original plans, Credit said it was prepared to offer L19,000.

Consob, the Italian stock exchange watchdog, suspended the Rolo shares after Italian newspapers reported at the weekend that Credit was planning a new bid in an attempt to win over Rolo's shareholders before December 19, when they must vote on the merger plans.

Mr Enzo Berlanda, Consob chairman, yesterday told Ansa, the Italian news agency, that work was under way on the Credit-Rolo dossier at the authority's Milan offices.

Credit's promised bid has still not been approved by the Bank of Italy, which supervises the Italian banking system. That puts the Milan bank at a disadvantage, because the central bank has already given the go-ahead to the Carisbo-Rolo merger.

The Bolognese banks have laid great emphasis on preserving their regional roots, which suggests that extra cash would not be enough to win over local Rolo shareholders to the Credit offer. The Milan bank might also have to make certain guarantees of shareholder rights.

However, advocates of the Credit bid point out that the main shareholders of Rolo are not closely linked to the region and may be more willing to sell to the highest bidder.

Eurotunnel in row with UK bank debt trader

By Robert Peston in London

A row has erupted between Eurotunnel and Klesch & Company, the London-based bank debt trader, over a report issued by Klesch called "Eurotunnel Interim Results – Disaster Ahead".

The channel tunnel operator has written to Fimbra, the UK financial regulator, saying that the report is "seriously misleading and is plainly the product of serious negligence".

The letter by Mr Graham Corbett, the group's chief financial officer, says: "There appears to me to be the plainest indications of a breach of your rule requiring reports of this sort to be fair and not misleading and consequently clear grounds for an investigation."

Mr Gary Klesch, founder of the debt-trading firm, said there was "nothing wrong with the report ... We stand by it".

He complained that Eurotunnel had consistently refused to co-operate with his firm's analysts when they were preparing reports and that there is "no hint that Fimbra is taking the complaint seriously".

Mr Klesch urged the company "to use the courts" if it believed the report was seriously in error.

Mr Corbett believes that the report is in part responsible for Eurotunnel's bank debt being quoted in the secondary market at 60p in the pound.

A number of Eurotunnel's 200 bank creditors have become concerned about the low market price for these loans. As a result, Mr Corbett has also written to Mr Anthony Jarrett, who co-ordinates Eurotunnel's relationship with its banks, asking him to inform them it has "filed a formal complaint" against Klesch & Company.

The Klesch report, written last month, forecasts that the group runs out of cash next year and has a £423m deficiency at the end of 1998.

Mr Corbett says this is "fundamentally wrong".

Heron vote, Page 28

Akzo Nobel's hydro-power operations put up for sale

By Christopher Brown-Humes in Stockholm

Akzo Nobel, the Dutch-Swedish chemicals group, is planning to sell its hydro-power operations to Stockholm Energi, Sweden's third-largest energy producer.

Analysts said the deal could be worth more than SKr2bn ($160.7m) on a debt-free basis.

The move will end a century-long involvement by Nobel in the energy business and is in line with its strategy of focusing on core businesses.

Akzo Nobel, formed this year through the merger of Sweden's Nobel Industries and Akzo of the Netherlands, has a 40 per cent stake in Njordkraft, which owns four medium-sized and three smaller hydro-power plants in Sweden with a combined production capacity of 940 gigawatt hours. The plants have traditionally met about 50 per cent of the group's Swedish energy needs.

The remaining Njordkraft shares are held by financial investors, mainly pension funds and insurance groups. Akzo has options to purchase these shares next year, enabling Stockholm Energi to gain full control of the concern.

Mr Dag Strömqvist, managing director of Eka Nobel, said: "We are not in the power business. We are in the chemicals business." He declined to disclose terms, saying talks were at an early stage.

Stockholm Energi produces around 13 terawatt hours of electricity a year. Half its output is generated by nuclear power and 35 per cent by hydro-electric power.

Lafarge rules out role in US deal

By John Ridding in Paris

Lafarge Coppée, the French building materials group, has ruled out a plan to co-operate with Golden Eagle Industries in its $940m bid for National Gypsum, the second-largest US plasterboard manufacturer.

The French group, which holds 10 per cent of the shares in National Gypsum, said it had rejected the idea of a joint bid, and was studying what to do with its stake.

The decision complicates the task of Golden Eagle, which holds 19 per cent of National Gypsum and is leading the bid by a group of North Carolina-based investors.

Golden Eagle, headed by Mr C. D. Spangler, non-executive chairman of National Gypsum, may also face barriers to any hostile bid. These were agreed by shareholders of the plasterboard company last week.

Industry observers discounted the idea that Lafarge Coppée would make a rival offer for control of National Gyspum.

Although Lafarge is one of Europe's largest plasterboard manufacturers, and has a strong presence in the US building materials market, analysts say it probably cannot afford to be part of the National Gypsum acquisition.

Lafarge declined to comment on whether it would vote against the bid offer, or what it planned to do with its stake in the US plasterboard group.

BK Vision wins injunction against UBS share plan

By Ian Rodger in Zurich

BK Vision, the investment fund controlled by Mr Martin Ebner's BZ banking group which is challenging the management of Union Bank of Switzerland, has won an injunction preventing the bank from converting its registered shares into bearer shares until an appeal against the plan is heard.

UBS shareholders narrowly approved the conversion plan – with 57.8 per cent of registered shares in favour – at an extraordinary meeting last Tuesday, following a tense proxy battle between BK Vision and the UBS board.

BK Vision, the largest shareholder in UBS, claims the plan is illegal because it does not offer compensation to registered UBS shareholders for the loss of the extra voting weight attached to their shares.

The registered shares have a par value of one-fifth that of the bearer shares, giving an investment in them much greater voting power than a similar investment in bearers.

A Zurich district court judge yesterday accepted BK Vision's argument that it would be difficult to reverse implementation of the plan if an appeal court ruled much later that it was illegal.

The two sides will now present their arguments to the judge on a suitable deadline for BK Vision to submit its appeal case.

By law, the latest possible date is January 22, but UBS will argue for an earlier deadline so that the case can be decided as quickly as possible.

The UBS board wants to implement the conversion before the next annual general meeting in April.

At that meeting, 10 of the 23 directors' terms expire, and BK Vision is trying to rally a majority of votes in support of substantial changes to the board.

If the conversion goes through, the voting power of BK Vision and other large registered shareholders will be substantially reduced.

Steel stake disposal helps NCC

By Christopher Brown-Humes

NCC, Sweden's second largest construction group, said yesterday that a SKr1.2bn capital gain from the sale of its 22.5 per cent stake in Avesta Sheffield, the Anglo-Swedish stainless steel producer, had given a sharp boost to profits in the first nine months.

The sale helped the group to compensate for the continuing recession in the Swedish construction market. It reported a SKr1.45bn ($194.2m) profit after financial items for the period, compared with a SKr546m surplus a year ago. If one-off items are excluded, income improved to SKr262m from SKr68m.

NCC sold its holding in Avesta for SKr2.2bn in September. British Steel picked up a big portion of the shares, lifting its stake in Avesta to 49.9 per cent from 40 per cent.

NCC said its main construction operations continued to be hit by difficult market conditions, which lowered group sales to SKr12.0m from SKr13.0bn.

But Mr Jan Sjöqvist, group president, said there were "clear signs that the market trend is reversing". He said orders received by the group's Swedish construction businesses had been 30 per cent higher than last year at SKr9.7bn. Total orders rose to SKr11.0bn from SKr9.1bn.

The group is predicting a full-year profit of between SKr900m and SKr1bn. This is after including write-downs of between SKr300m and SKr400m in the full-year accounts, primarily linked to properties held for future development outside Sweden. Last year, the group achieved a SKr175m profit.

NCC's civil engineering, building and production units reported nine-month profits of SKr407m, down from SKr524m last year.

The group's real estate division remained in the red, with a SKr191m loss, only slightly down on last year's SKr199m deficit.

NCC Invest lifted profits to SKr1.37bn from SKr446m. Excluding one-off items, the unit swung to a SKr151m profit from a SKr33m loss.

BHF Bank's account trading hit

By Andrew Fisher in Frankfurt

BHF Bank yesterday blamed the collapse in world bond market prices for a sharp slide in profits from trading on its own account in the first 10 months. However, it said this was almost entirely offset by earnings from normal customer business.

Operating profits at the German bank were 0.7 per cent lower at DM265m ($170m), after a 22.5 per cent rise in partial operating profits (which exclude own-account trading in securities, foreign exchange and other financial instruments) to DM375m.

The bank managed to increase its interest earnings by 16 per cent to DM598m, with commission profits up 4.9 per cent to DM298m. Operating costs were held to a 5.5 per cent increase at DM521m.

Profits on the bank's own-account trading were 85 per cent lower at DM14m, continuing the decline of earlier months which reflected write-downs on BHF's bond portfolio. It increased its bad-loan provisions by 13 per cent to DM149m. The bank is exposed to both the Schneider property and Balsam/Procedo factoring collapses.

Two months ago, the bank announced plans to turn itself into a joint stock company and strengthen its asset management and corporate finance business throughout Europe.

The costs of the reorganisation will weigh on next year's result, and probably that of 1996, but should eventually lead to increased returns on capital. Munich Re, the world's largest reinsurance company, recently disclosed a 5 per cent holding in BHF. The Allianz insurance group and DG Bank also own stakes.

Salvesen to focus on core units

By Simon Davies in London

Christian Salvesen, the UK distribution and specialist hire group, is looking to sell its pollution control and brick manufacturing divisions by the end of this financial year, raising about £60m ($93.6m) to invest in its core businesses.

The disposals would almost halve its £129m of net borrowings and Salvesen is looking at acquisitions in European distribution, after the success of its £84m purchase of Swift, the industrial distribution company.

The group's results, however, were less upbeat. Pre-tax profits for the six months to September rose 1 per cent to £41.4m in spite of the impact of Swift, which was purchased in October 1993.

Salvesen issued a profits warning last February, after a rapid downturn from Aggreko, its specialist plant hire business. Aggreko's latest figures reveal a turnround in the US, which achieved 23 per cent growth. Generator hire for the World Cup helped, but it also benefited from large cost cuts. However, Aggreko's European businesses offset most of this improvement.

Light & Sound Design, acquired for £7.6m in 1991, slumped into loss, and Salvesen plans to trim its operations. This could lead to second-half write-downs, which will offset likely profits from the sale of the brick business.

The specialist hire division saw operating profits fall 4.5 per cent to £14.8m. Distribution now accounts for almost half of Salvesen's £319.3m (£262.3m) turnover, and the division's profits rose 20 per cent to £21.6m, boosted by a £5.7m contribution from Swift.

The company is paying a 3.4p dividend, up from 3.3p. Earnings per share were 10.5p (10.29p).

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INTERNATIONAL COMPANIES AND FINANCE

Ford returns to Samcor with 45% stake

By Mark Suzman in Johannesburg and Kevin Done in London

Ford of the US, the world's second largest vehicle maker, is re-entering the South African market through the purchase of a 45 per cent stake in South African Motor Corporation (Samcor).

Ford divested its equity interest in Samcor in late 1987 as part of a series of withdrawals by US companies from South Africa in response to pressure from anti-apartheid groups.

Samcor assembles Ford vehicles and some Mazda and Mitsubishi models. Ford will hold an equal stake with Anglo-American Industrial Corporation, buying 31 per cent of Samcor's equity from Amic and e further 14 per cent from the Samcor Employees Trust. This will leave AMIC and Ford both holding 45 per cent with the remaining 10 per cent staying in the hands of the trust.

Mr Jim Miller, director of eastern Europe and export operations for Ford of Europe, is to become Samcor group managing director and chief executive.

The deal, which has been expected for several months, in effect marks a return to the situation that existed prior to Ford's disinvestment from South Africa.

Samcor was formed in 1985 as a joint venture between Ford South Africa, which had been founded by Ford Canada in 1933, and Anglo-American's existing automotive interests.

Mr Wayne Booker, Ford executive vice-president of international automotive operations, said he hoped the US group's direct involvement would prove to be a spur to improved production and new export initiatives by Samcor.

"When I say Ford will re-establish its presence in South Africa, I mean it," he said. "This is not only an investment. Our action symbolises Ford's commitment to the South African market and the success of Samcor."

Mr Booker declined to disclose the financing of the transaction, saying only that it was a combination of new cash, new equipment and product investment. It was revealed, however, that the Employees Trust had received R50m ($14.1m) for the 14 per cent of Samcor equity it had sold to Ford.

Samcor is currently in fourth place among South Africa's seven main vehicle makers. It has monthly sales of around 2,300 vehicles, trailing market leaders Toyota, Volkswagen and Nissan, but ahead of Mercedes-Benz, Delta (which manufactures Opel models) and BMW.

South African producers currently manufacture about 320,000 units a year, of which passenger cars account for just over two-thirds. Almost all production is for the local market.

The industry is under intense pressure, however, as South Africa begins to dismantle its high tariffs on imported motor vehicles, currently about 100 per cent, in line with Gatt requirements. Manufacturers, organised labour and the government are in negotiations to find an acceptable schedule for phasing out most of the industry's protection over the next eight years.

US Pru's stockbroker unit to quit Tokyo SE

By Gerard Baker in Tokyo

Prudential Securities, the stockbroking arm of Prudential Insurance of the US, is to join the lengthening list of foreign securities companies leaving the Tokyo Stock Exchange.

The company announced yesterday that it had notified the TSE of its plans to relinquish its regular membership of the exchange, transferring it to a third party.

The decision reflects Prudential's plan to "substantially downsize" its operations in Japan, including Japanese equity business, as part of e wholesale review of the parent's worldwide operations, the company said.

Sale of its TSE membership will enable Prudential to cut operational expenditures and divert funds for other businesses. But it said it planned to continue to trade US securities in Japan, as well as Japanese government bonds.

In the last few years foreign brokers have been leaving Japan as business in the Japanese securities market has dried up. Equity trading volumes reached a peak of more than 1bn shares a day in 1989 but then fell to less than 300m shares a day last year. After a slight increase in the first half of 1994, volumes have slumped again.

Foreigners flocked to Tokyo in the 1980s as the market was liberalised and equity trading increased exponentially. The total of subsidiaries and representative offices grew from 112 in 1984 to 280 in 1991. But since the slump, many brokers have been leaving the TSE. Prudential's departure takes the total to below 230.

Aoki sells stake in Westin Hotel group for $561m

By Emiko Terazono in Tokyo

Aoki, a Japanese construction company, has sold its shareholdings in the Westin Hotel group for $561m to US real estate investors Starwood Capital Group and a subsidiary of Goldman Sachs.

Aoki sold its shareholdings in two Westin group companies, Westin Hotel and Westin International Europe, which operate 63 hotels in 11 North American and European countries and the Westin trademark rights in South America.

Aoki is another company on the list of Japanese corporations struggling with overseas investments made during the economic "bubble" of the late 1980s. The construction group, together with a group of US investors, bought the Westin hotel chain of 80 hotels in 19 countries in 1988 for $1.35bn.

Immediately after the purchase, Aoki and the investors sold off the Westin Mauna Kea in Hawaii and the Plaza in New York for more than $700m. Since then the Japanese company has faced mounting interest payments on its debts and last February attempted to sell the hotel chain to a Mexican investor.

The company said it would use the income from the sale to repay the group's outstanding loans of about Y52bn ($526.5m), which includes funds borrowed for the initial purchase of the hotel group. The proceeds will also be used to cover the Y34bn in loan guarantees by Aoki to its resort subsidiaries.

Westin will own the trademark in North America, South America, Europe, Africa and the Middle East. In Asia, Aoki will maintain ownership of the Westin trademark and enter into partnership with Westin there.

Pearl Tyre offering takes ASX closer to 'Asian board'

By Nikki Tait in Sydney

Efforts by the Australian Stock Exchange (ASX) to secure enough foreign listings to form a special "Asian board" within its local stock market took another step forward yesterday when Pearl River Tyre, a Chinese tyre business, announced plans for a A$45.2m (US$33.4m) share offering.

Pearl River is a Bermuda-based company formed to hold a 70 per cent interest in Guangzhou Pearl River Tyre. GPRT, in turn, is based in Guangdong province and makes tyres for buses and other commercial vehicles. The remaining 30 per cent of GPRT is owned by Guangzhou city, which was formerly the sole ultimate owner of the tyre business.

Pearl River is planning to sell 45.2m shares at A$1 each. This stock will represent 86 per cent of the company's issued capital, and the balance will be held by the government of Guangzhon and professional advisers involved in the transaction. A group of Malaysian businessmen has already agreed to subscribe for some 18.4m shares, and a similar amount has been placed with international institutional investors. This leaves about 10m shares available for the general public.

The money raised will be used to double the company's production capacity by 1997, from about 1m tyres a year at present.

Sales in 1994 are expected to be about A$60m.

The listing, which is expected to take place early in 1995, will mean that about half a dozen "China concept" stocks trade on the ASX, with Pearl River being the largest.

Poor returns for Japan's life groups

By Emiko Terazono in Tokyo

Insurance

Japan's leading life assurers saw en increase in premium revenues bnt suffered low returns on their investments during the first six months to September.

Combined premium revenues at Nippon Life, Dai-Ichi Life, Sumitomo Life, Meiji Life, Asahi Life, Mitsui Life, Yasuda Life and Chiyoda Life rose 13.4 per cent to Y12,076.4bn ($122.7bn) due to higher premiums from April. But a sluggish domestic bond market and smaller interest and dividend income amid low interest rates hurt returns on investments, and the top eight assurers saw aggregate income from these sources fall 9.7 per cent to Y2,892.5bn.

Investment returns were less than 4 per cent on average, sharply lower than the companies' prospective dividend payout rates for policyholders. Investment yields have not stopped falling since peaking at 6.8 per cent in 1989, and e further decline may force the companies to cut their dividend payments for the fifth consecutive year. Officials at the companies said they were still considering the possibility.

While the leading companies have the unrealised gains on stocks to support them, declining investment yields, bad loans and slowing growth in new contracts are affecting the financial soundness of some of the industry's smaller companies. Analysts reckon some of the bigger groups may be forced to support the financially-troubled smaller companies following the industry's liberalisatioo scheduled in 1996.

Insurance benefit payments for the top eight companies rose 22.1 per cent, with many policies maturing or being cancelled. Meanwhile, the combined balance of oon-performing loans fell 3.6 per cent to Y364.2bn.

The companies have been selling their long-term shareholdings to cover for the declines in investment returns. Profits from stock sales rose at all eight companies sxcept Sumitomo, with combined gains up 4.7 per cent to Y293.9bn. Profits from stock sales surged by four times at Nippon to Y22.7bn while Yasuda's gains doubled to Y26.9bn.

Total unrealised gains from stocks, which have traditionally acted as e buffer against losses on investments, totalled Y11,068bn at the end of September, up 2.4 per cent from the snd of March due to a slight rise in the stock market.

However, the figure is still insufficient to absorb further losses on high-risk investments and asset allocations of the companies are expected to remain conservative.

During the first half, companies allocated funds to the domestic bond markets and loans, while reducing foreign currency exposure. At Nippon, the industry leader, bond investments at the end of September rose 2.4 points from six months earlier to 15 per cent of total investment assets, while overseas securities investments fell 0.8 points to 6 per cent. Sumitomo's bond investments rose 2.8 points from the end of March to 18.2 per cent of total investment assets while funds in deposits fell 2.4 points to 4.3 per cent.

Interim results to September 1994 (Ybn)

Insurer	Net premium income	Change on year (%)	Return on investment	Change on year (%)	Non-performing loans	Half-year change (%)
Nippon	2,918.8	+8.0	752.6	-4.0	22.9	+7.5
Dai-Ichi	2,173.1	+12.2	548.0	-7.0	44.8	-16.6
Sumitomo	1,951.6	+10.3	447.0	-28.1	45.0	-8.4
Meiji	1,424.4	+14.8	304.9	-10.2	13.7	-9.3
Asahi	1,108.5	+17.3	264.9	-5.9	19.0	+12.4
Mitsui	927.1	+18.4	214.2	-0.2	20.1	+14.2
Yasuda	926.0	+19.2	197.6	-1.7	8.1	+3.4
Chiyoda	646.6	+31.2	162.6	-3.8	192.5	-2.7

Source: company reports

Siam Cement increases third-quarter profit 34%

By William Barnes in Bangkok

Siam Cement, Thailand's biggest manufacturing conglomerate, said that robust growth in all its five main business areas enabled it to lift consolidated net profits for the first nine months by 52 per cent to Bt3.91bn ($156.4m).

Consolidated profits in the third quarter surged 34 per cent to Bt1.38bn on sales 18 per cent higher.

Cement and construction materials, which account for more than half the business, were surprisingly strong in the rainy season third quarter; cement sales alone rose 11.3 per cent over the year-ago figure.

Several Bangkok analysts said they would revise upwards their full-year profits forecasts for the company in the light of the latest figures.

Miss Sirinuch Tharmapornpilas, at Jardine Fleming Thanakom, said she now expected full-year net profits of around Bt5.2bn, 10 per cent higher than the firm's earlier forecast.

Coles Myer in property sell-off

By Nikki Tait

Coles Myer, the large but troubled Australian retailer, said yesterday it had arranged to sell more than A$500m (US$370.3m) of retail property. The move is part of a plan to rationalise its A$1.5bn property portfolio, offset the current A$4.1bn capital investment programme and prevent it becoming "overweight" in property.

Coles is selling its 50 per cent interest in the WestMyer Trust, which owns shopping centres in Adelaide and Southland, to the Australian Mutual Provident Society, the life office. The deal values the two properties and development costs to date at A$580.8m – or Coles' share at A$290.4m.

In addition, a joint veoture is being established with the Industry Superannuation Property Trust, which will take in A$113.8m of properties from Coles, mainly shopping centre interests. ISPT will have a 75 per cent interest in the venture, and Coles, 25 per cent. The disposal of a variety of smaller property interests makes up the balance of the A$500m.

Coles' gearing has risen significantly recently, as result of buying back the 21.45 per cent of its shares held by Kmart, the US retailer.

Correction

Pioneer

In a recent report of Pioneer's interim results it was incorrectly stated that the company's consolidated sales were down to Y129bn from Y130.9bn. This should have read down to Y245.6bn from Y255.5bn.

Indonesian noodle maker's profits soar

Nine-month earnings at Indofood Sukses Makmur, Indonesia's largest noodle maker, almost trebled compared with e year ago in spite of press reports about food poisoning, denied by the company, during the period, Reuter reports from Jakarta.

Net profits for the nine months advanced to Rp145.61bn ($66.9m) from Rp50.04bn a year ago, on sales of Rp976.93bn compared with Rp809.05bn.

Indofood, part of the Salim group and 50.1 per cent owned by Indocement Tunggal Prakarsa, is said to have told analysts that, as a result of the food poisoning reports it had revised its full-year profits down to between Rp200bn and Rp220bn from Rp255.22bn.

Mellon Bank takes $130m charge over stock lending

By Richard Waters in New York and Norma Cohen

Mellon Bank of the US said it would take a $130m after-tax charge to cover investment losses of customers of its stock lending business following the fall in bond prices this year.

The move is the latest sign that some banks, ambitious to develop their global custody and stock lending businesses, have bought unsuitable securities with cash which was deposited by their customers as collateral.

In June, Harris Trust, a subsidiary of Bank of Montreal, said it would absorb $51.3m of investment losses for stock lending customers, leading to an after-tax charge of $33m.

Mellon said the charge announced yesterday sprang from its intended purchase of interest rate swap contracts to change the characteristics of investments under its control. These swaps would be used to tie the investments to short-term floating rates, the bank said.

Mr Frank Cahouet, Mellon's chairman and chief executive, said that the bank had decided that "the interest rate sensitivity of certain client portfolios is not appropriate under current conditions for the unique requirements of the securities lending business".

Mellon did not provide details of its investment strategy, but its plan to use interest rate swaps suggests that it had invested the cash in longer-term bonds, prices of which have fallen steadily this year.

The returns from investing collateral have become an important source of income in the global custody business. Custodians, which hold securities on behalf of institutional investors, lend the securities to brokers and others for short periods, receiving collateral in return. The broker is generally paid a return on the collateral equivalent to overnight interest rates. Any additional investment return is usually kept by the custodian.

Global Custody Survey, Section III

Sheinberg steps down at Goldman Sachs

By Norma Cohen, Investments Correspondent

Mr Eric Sheinberg, the Goldman Sachs partner from whom Mr Robert Maxwell's former employees are seeking restitution of some of their pension assets, has resigned.

From the beginning of the 1995 fiscal year, Mr Sheinberg, Goldman Sachs' longest-tenored general partner, will become a limited partner, the status accorded those who are no longer pursuing full duties.

He will continue to work as a proprietary trader – buying and selling shares for the firm's own account. A spokesman for the firm said Mr Sheinberg had asked to become a limited partner to give himself more time to pursue his personal interests.

Goldman Sachs partners may not withdraw their capital from the firm in full upon retirement, but withdraw it over a period of years instead, usually in the form of interest on the sum they have built up. Mr Sheinberg became a general partner in 1971 after 10 years with the firm.

An internal memo credits Mr Sheinberg with having pioneered the concept of "24-hour trading" in international securities markets and for introducing US-style block share trading to the European markets.

In April, lawyers for the Mirror Group Newspapers Pension Scheme Trustees and the Maxwell Communications Corporation Works Pension Scheme filed lawsuits in New York each seeking $57m from Goldman Sachs and Mr Sheinberg personally in connection with the alleged diversion of scheme assets. The lawsuits, which are continuing, also seek unspecified damages.

The writs centre on the purchase of £55m ($90.20m) of MCC shares from the pension schemes by two Swiss trusts, Servex and Yakosa, which were transacted through Goldman Sachs and for which the schemes were never paid.

Both Goldman Sachs and Mr Sheinberg have said they will vigorously contest the charges.

Novo Nordisk adapts its strategy in changing market

By Hilary Barnes in Copenhagen

The shine has been knocked off Novo Nordisk's shares this year. The Danish pharmaceuticals and industrial enzymes producer has been hit by a rapid rise in costs, contributing to a 7 per cent slip in nine-month profits to DKr934m ($153m) from DKr1bn; problems meeting demand for insulin in the US; and the resignation of an important member of the management board following a reorganisation of responsibilities.

The share price fell by DKr15 when the interim results were announced earlier this month. They have picked up since, but at DKr554 yesterday the price is a long way from the 12-month high of DKr748.

Mr Mads Ovlisen, chief executive, said: "We are trying to adapt our strategy, our organisation, to the huge changes taking place in the market place. We are also adapting to increased regulatory pressures."

The shortfall in insulin supply to the US, where it competes with Eli Lily, the world's other leading supplier, was caused by a production stoppage in Denmark. This was compounded by a delay in bringing a new production plant on stream in the US. The delay, Mr Ovlisen said, was caused by the need to ensure the plant met the US Food and Drug Administration's stringent regulatory guidelines, "a tremendous task".

The supply problem is now over, and he hopes the US plant will go into production early next year.

The market situation in the US is changing because the large pharmaceutical producers are buying up healthcare provider groups in order to gain a captive patient base.

"Buying decisions are made by the healthcare provider organisations. The medical doctor is no longer king," said Mr Ovlisen.

The key to survival for a relatively small company such as Novo Nordisk, with turnover last year of about DKr12.16bn, is to be able to innovate and to supply value-added products which the healthcare providers will continue to need, he said. With this in mind board of management responsibilities were changed last spring, to make decision-making faster. However, Mr Erik Sorensen, a long-standing board member, found the changes did not suit him and he resigned this autumn.

The company also wants to concentrate on new products, partly by releasing resources from other areas. This was reflected by its recent decision to sell its bulk penicillin production unit.

The obverse of this disposal is the DKr6bn-plus which has been invested in new plant over three years, with five new international plants in enzymes and pharmaceutical production due to start up in coming months. This, said Mr Kurt Anker Nielsen, finance director, was one of the main reason why costs, up 16 per cent against a sales increase of 12 per cent at nine months, had soared.

Staff for the plants have been recruited, although the plants are not yet contributing to sales. Depreciation costs have also risen.

The group has a stated aim of increasing profits by 15 per cent a year, he said. Viewed over the 1991-94 period, the average increase will be about 13-14 per cent in spite of this year's slip, "so we are not that far off".

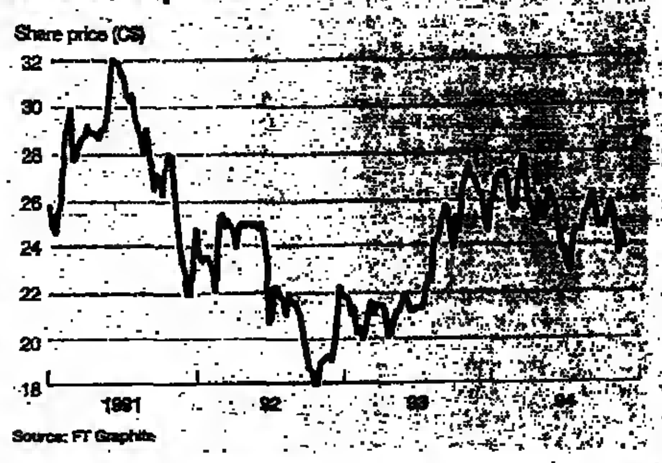
Moore transforms its approach

New chief executive is spearheading shake-up, writes Bernard Simon

The occupants of Moore Corporation's executive suite atop one of Toronto's tallest office towers would have felt quite out of place little more than a year ago.

The 116-year old company was coasting on its long record as the world's biggest supplier of paper forms used by almost every business.

A balance sheet with virtually no debt and a steady flow of revenues from products as varied as credit-card slips, cash-register receipts and train tickets had lulled Moore into a complacency not uncommon among well-entrenched market leaders.



Source: FT Graphite

This month it reported nine-month net profits of US$82.2m, or 83 cents a share, up from $60.6m, or 61 cents.

In spite of being one of Canada's biggest companies, with 22,000 employees and annual revenues of $2.3bn, Moore saw no need for a public relations department. Staff turnover was exceptionally low. The chief executive had been with the company for 34 years and the chief financial officer for 43.

However, the leisurely atmosphere has evaporated since Mr Reto Braun took over as chief executive in September 1993.

"This year, more things are happening than in the past 20," says Swiss-born Mr Braun, who spearheaded a top-to-toe shake-up at Unisys, the US computer and defence electronics company.

He has hired a new chief financial officer from Northern Telecom, the Canadian telephone equipment maker. The new head of the business systems division is a former McKinsey & Co consultant who also worked for Mitel, another Canadian phone equipment supplier.

Recruits from the computer and telecommunications industry give a clue to an even bigger change. While paper will continue to play a role in business records and transactions for the foreseeable future, many traditional business forms now comprise words and lines on a computer screen.

The speed and accessibility of electronic data allow companies to use the information on these forms for an increasing number of purposes. Labels, another Moore staple, are being transformed by bar-codes into part of elaborate data management systems.

Companies are also demanding a wider range of services from suppliers. "The customer doesn't just want a product any more," Mr Braun says. "He wants a solution to his problem."

Mr Braun's credo is that if a chief executive needs to inflict pain, it should be done quickly, but fairly. In the 14 months since he took over, Moore has chopped about 2,000 jobs and closed six plants. A $229m restructuring charge, taken at the end of 1993, drained away 14 per cent of the company's equity.

The long-term aim is to transform Moore from a supplier of business forms into a provider of a much wider range of information-handling products and services.

It will concentrate on three businesses: forms and form-management systems; labelling systems, including bar-codes; and customer communications, such as direct mail.

In each case, Mr Braun is targeting only a handful of sectors. For instance, the customer communications division will aim primarily at publishers and retailers. The labels business will be directed mainly at manufacturers, the transport sector and retailers.

"We have to sell earlier and higher in the sales cycle," Mr Braun says. Instead of dealing with purchasing managers, he wants the company to do more of its business with chief financial officers and marketing executives.

For example, Moore has helped SNCF, the French railway group, design a new reservations system with a magnetic-strip ticket. In addition to being a travel voucher, each ticket provides real-time information on a passenger's movements. SNCF uses this data to adjust routes, trains, seats and fares. On the customer-communications side, Moore has won a contract from a US hotel chain to produce a colour brochure, with a common theme but a different version for each hotel.

Mr Braun aims to expand revenues by 10 per cent a year for the next five years, with more than half the growth coming from alliances and acquisitions which broaden Moore's horizons.

Such expansion is typified by Moore's recent purchase of a 20 per cent stake in JetForm Corporation, an Ottawa-based specialist in electronic forms technology.

Earlier this month, Moore formed an alliance with Datamax of Orlando, Florida, to develop a thermal bar-code printer for liner-less labels.

Another sign of the "new" Moore is a $1bn two-way deal with EDS, the US computer services and management consultancy. EDS is designing, and will later operate, Moore's internal data-processing system. For its part, Moore will manage EDS's own printing and other information handling requirements.

The risk, however, is that some products and services may be ahead of their time. One Moore executive says that "a lot of customers know they want it, but they're not certain how they're going to use it". But people no longer hang such epithets as "stodgy" or "venerable" on Moore these days.

The transformation is set to advance further. Moore plans to raise $400m to $500m in debt, lifting its debt-to-equity ratio from an ultra-conservative 6 per cent to about 25 per cent.

It is preparing a public offering of shares in Toppan Moore, the big Japanese forms company which Moore owns jointly with Toppan Printing.

Mr Braun took another step this month which would have been unthinkable under the old guard. He hired Moore's first vice-president of communications to help get the message across that a leopard can change its spots.

US investors use foreign voting rights

By Norma Cohen

US institutional shareholders are increasingly exercising their voting rights at non-US companies in which they have a stake, according to a new survey.

Washington-based Investor Responsibility Research Center (IRRC), an organisation which monitors shareholder activity, said US institutional investors now vote at 71 per cent of all foreign companies in which they own a stake, compared with just 24 per cent in 1991.

The survey was conducted among the 40 or 50 institutional investors who have more than $250bn under management.

Ms Corinna Arnold, deputy director in charge of Global Shareholder Services at IRRC, said she believed the client base was fairly representative of US institutional investors, although IRRC clients are likely to be more concerned with corporate governance matters than other shareholders.

During the summer, the US Department of Labor confirmed that US Erisa funds – corporate pension schemes covered by US pensions legislation – have the same fiduciary duty to vote on matters at non-domestic companies, unless the costs of voting are prohibitive, as at US companies in which they have invested.

US public sector pension schemes, among the largest such schemes, are not covered by the Erisa legislation but have taken their voting responsibilities seriously.

Ms Maryellen Andersen, director of investor and corporate relations at the State of Connecticut Retirement and Trust Funds, said that in 1993, the scheme voted at 1,395 of the 2,300 foreign companies in which it holds a stake.

Ms Andersen said the scheme has been able to vote in most markets because of the willingness of its custodian banks to help with the paperwork.

"We found the most effective way to ensure voting was to put pressure on the custodian," she said.

Ms Andersen said US pension schemes hold a relatively small stake in foreign markets, but they are making an impact on local boards of directors.

"They want our money. We have made it clear that we are interested in investing but we are also interested in voting. We don't really want to do one without the other," she said.

Santiago seeks regional finance role

Chile has its advantages but obstacles remain, writes Stephen Fidler

Chile boasts Latin America's most advanced capital market. The country's high savings rate, the development of its private pension funds and more than a decade of uninterrupted economic growth have combined to bring this about. Nowhere else in Latin America can companies raise 10- or even 20-year finance.

The country's leading financial institutions and its two stock exchanges want to use this head start over their neighbours to develop a financial centre servicing the rest of South America. To promote the idea, they formed a capital markets institute six months ago.

"We have been advocating the idea of transforming Santiago into a financial centre," said Mr Hernan Somerville, the head of Chile's banking association.

But for the likes of Mr Somerville, the government has been moving too slowly on the issue and at least two important obstacles are blocking the idea.

The first is the rule which demands that foreign investments remain in the country for at least a year, inhibiting financial market trading. The second is the country's capital gains tax.

Government officials say lifting the one-year rule would not be difficult. The finance minister, Mr Eduardo Aninat, said this month in London that "at an opportune moment, we could consider amending it by law ... but that doesn't mean in the short term". For now, the government is concerned not to encourage inflows of volatile hot money which make managing money supply difficult and raise the exchange rate to uncompetitive levels.

Mr Aninat said, however, that "the capital gains tax is more complex", although the issue was under study. The government is worried thet relaxing the tax might lead to a redefinition of a lot of income as capital gains in order to evade tax.

Mr Somerville says banks are being hindered from developing a regional role because they cannot lend money outside the country, except for trade. "We should also be able to lend money outside Chile to Chilean companies," many of which are expanding into other countries in the region, he says.

From the government's point of view, developing the financial services sector would – like increasing manufacturing capacity – be one way of developing an economy which, in spite of its success, is still over-dependent on production of raw materials.

Still, while some financial experts believe Santiago has advantages in certain areas, for example in custodial services, there is widespread scepticism that turning the city into financial centre is a serious project.

Chile may have the expertise, and a deregulated telephone system that allows for relatively cheap communication, but it is geographically remote and the economy small. Sceptics wonder whether there is a critical mass of local business to encourage the establishment of a regional financial centre.

Mr Somerville argues: "Look at Luxembourg", adding that "we offer political stability, economic stability, a broad consensus over policy – and we have a reputation for integrity."

Mr Pablo Yrarrazavil, chairman of the Santiago Stock Exchange, points out that for an "emerging market" the country already has a highly-developed financial system.

With a gross domestic product of about $46bn, Chile's stock market capitalisation is $60bn, banking assets total $35bn, the assets of pension funds are approaching $20bn and insurance company assets $5bn.

Nonetheless, Mr Yrarrazavil acknowledges that he has a problem – currently most Chilean companies prefer to raise share capital in New York and not on his exchange. Chilean financial business is migrating to the US, where investors are willing to pay more than in the Chilean market, partly because of the one-year rule.

But Chilean financiers are not only worried about New York. They are also concerned not so much about the development of finance in São Paulo if the Brazilian anti-inflation plan succeeds, but that Argentina is making big advances in financial sophistication.

Promoting Santiago as a financial centre has, for some of its proponents, a defensive motive and a desire to avoid a drain of Chilean talent and Chilean financial companies to Argentina.

"Chileans love Buenos Aires. Many would like to live there, and if it developed as a financial centre, they would move," said one financier.

هكذا من الأصل

INTERNATIONAL CAPITAL MARKETS

Strong Thanksgiving retail sales hit Treasuries

By Lisa Bransten in New York and Conner Middelmann and Martin Brice in London

US Treasury prices fell yesterday morning amid reports of strong retail sales over the Thanksgiving weekend – traditionally one of the best of the year for retailers – and the early morning release of figures showing growth in home sales for October.

By midday, the benchmark 30-year government bond was down 7/32 at 94½, yielding 7.979 per cent. At the short end of the market, the two-year note was down 1/32 at 99⅞, yielding 7.301 per cent.

Early in the morning, the yield on the long bond briefly hit 8 per cent before the price increased slightly, pushing the yield back below that by midday.

Reports of a busy weekend from shopping malls across the country reignited traders' fears that recent interest rate increases by the Federal Reserve might not be enough to cool the economy. If so, the Fed might have to raise interest rates again in the near term, thus undermining bond prices.

GOVERNMENT BONDS

Adding to such concerns were figures from the National Association of Realtors showing sales of existing single-family homes increased by 0.5 per cent from September to October.

Although the head of the real estate association called the increase "a vote of confidence in the economy", he added that he expected rising interest rates to dampen home sales in the near future.

Bonds posted declines across the maturity spectrum in the wake of gains in most stock indices. For most of this year, the stock market has taken its cues from increases and decreases in the bond market, but last week's plunge in share prices created optimism among bond market players that investors would move assets from stocks to bonds. Yesterday's rising stock prices, however, slowed the development of any such trend.

■ UK gilts put in another strong performance, buoyed by hopes for a market-friendly Budget containing significant cuts in government spending and public-sector borrowing, and ebbing political worries.

Gilt market participants expect chancellor Mr Kenneth Clarke's Budget speech today to contain good news on all fronts.

"The market has got geared up for a good Budget, including a cut in spending, a reduction in the [public sector borrowing requirement], a cut in the inflation forecast and an upward revision of the GDP forecast," said Mr Nigel Richardson, head of bond research at Yamaichi International.

Dealers reported last-minute buying by institutional investors keen to catch any post-Budget rally. However some warned that good news may already be discounted and a package in line with expectations could prompt only a muted reaction or even some profit-taking.

"Clarke will have to deliver something pretty spectacular in order for the market to go higher," said a gilt dealer at a large London house, pointing to supply as a factor that could cap gilts' upside.

The Bank of England yesterday announced sales of £800m in tranches of existing gilts; moreover, on Wednesday it is due to announce the terms of next week's auction.

The December long gilt future on Liffe rose by about ⅜ to 103½.

■ German bonds fell in thin volume. The December bund futures contract on Liffe ended at 91.31, down 0.17 on the day. One analyst said the next data that might move the market would be the US non-farm payroll figures due at the end of this week.

■ The market in Italian government bonds outperformed other European markets yesterday as the yield on the 10-year benchmark bond fell 13 basis points to 11.93 per cent.

Analysts said the rise in the price of bonds was due to lack of negative political influences, and Mr Simon Maggs at IBJ said it suggested that investors now felt the budget was likely to be passed.

■ The yield on the 10-year Norwegian benchmark bond rose from 8.4 to 8.416 per cent. Mr Graham McDevitt at Paribas Capital Markets said investors were now focusing on the referendum on membership of the European Union.

He said: "A 'yes' would come as a big surprise as the 'no' camp has consistently been in front." He added that if there were a majority in favour of EU membership, the currency would probably rise and bond yields fall.

However, opposition parties had said they would try to block membership if there were no decisive result, so a small majority in favour would probably lead to a parliamentary struggle, he said.

Reset feature on John Lewis loan

By Richard Lapper

NM Rothschild & Sons, the UK merchant bank, is to arrange an innovative five-year loan facility for John Lewis, the UK retailing group.

The structure – known as a "flexible participation facility" – replaces an existing £150m loan signed in 1990 and gives both lenders and the borrower greater flexibility than a standard revolving credit.

It allows the borrower to lock into market-priced finance at various times during the life of the loan through a so-called "reset mechanism" – a kind of auction which is managed by Rothschild, in its role as agent.

The loan is split into a core facility of £35m – priced at 25 basis points over Libor with a commitment fee of 10 basis points – and two tranches of £45m. The terms of one of these tranches can be reset in mid-1996 and mid-1998; those of the other in mid-1997.

Banks are being asked to participate with individual commitments of between £10m and £20m.

Commitments for the core facility and both £45m tranches will be secured when the deal is signed in the next few weeks but banks can bid to increase their shares of the two £45m tranches, with the amounts allocated on the basis of price.

If banks are prepared to bid more competitively to increase their stakes in the deal, the borrower can obtain a reduction in its cost of funds. It could also increase the size of the facility if bids are received for a greater aggregate amount.

At the same time, however, the banks are obliged to provide finance at the maximum rate of 25 basis points over Libor.

Mr Paul Tuckwell, director of NM Rothschild, said: "The facility provides borrowers with certainty and flexibility of funding and pricing at a capped cost and banks with the opportunity to actively manage their balance sheets."

Solid European demand for Exim Bank of Japan issue

By Graham Bowley

Exim Bank of Japan yesterday launched a $300m offering of 10-year bonds priced to yield 30 basis points over US Treasuries.

Lead manager Bank of Tokyo said that more than 70 per cent of demand came from European investors – UK investment funds and banks, Swiss pension funds, German and French insurance companies, and Swiss and Belgium retail investors.

The remaining bonds were sold to central banks and private banks in Asia and the Middle East, it said.

In the floating-rate sector, St George Bank, a New South Wales-based regional bank, launched a $250m issue of five-year notes, offering 30 basis points over three-month Libor.

The launch coincided with the announcement of a 54 per cent increase in the bank's after-tax profits to A$102.6m for the year to end-September and a fall in the charge for bad and doubtful debts to A$8.2m from A$45.3m.

INTERNATIONAL BONDS

UBS, which led the offering, said the bonds were sold to UK banks, UK investment funds and other European institutional investors.

St George Bank is the latest in a series of Australian banks, such as Bank of South Australia and Challenge Bank, to tap the euromarkets in recent weeks and to favour the floating-rate dollar sector.

There is strong demand for floating-rate dollar notes, dealers said, and this offering represented the tightest pricing yet of the recent issues.

Ford Credit Europe launched a $200m issue of three-year fixed-rate bonds priced, priced to yield 40 basis points over US Treasuries.

Lead manager ABN Amro said the offering met firm demand from Swiss and Benelux retail investors, who were attracted by the 8 per cent coupon and the pricing spread. Institutional investors were also attracted by the relatively high yield offered by the short-dated bond, ABN Amro said.

"The dollar yield curve has flattened recently and investors can now get a yield at the short-end close to that on longer-dated maturities," an official said. Ford Credit Europe came to the three-year dollar sector in September with an issue offering a coupon of 6¾ per cent.

However, traders said the bonds were priced around three to five basis points tighter than similar outstanding three-year paper and they struggled as a consequence.

Market sources said that the proceeds were swapped into floating-rate sterling.

The European Investment Bank is expected to launch a two-tranche offering of dollar-denominated bonds within the next few days, dealers said. The issue is said to be of a $300m tranche of five-year bonds and a $300m tranche of 10-year bonds.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Exim Bank of Japan	300	8.25	99.46R	Dec.2004	0.325R	+30(7¾%-04)	Bank of Tokyo Capl.Mkts.
St George Bank‡	250	(a)	99.78R	Jan.2000	0.20R	-	UBS
Ford Credit Europe	200	8.00	99.96R	Dec.1997	0.225R	+40(7¾%-97)	ABN Amro Bank
Banco Inter-Atlantico	50	11.25#	99.063R	Dec.1997	1.00R	+410(7¾%-97)	HSBC Markets
YEN							
Commerzbank(b)★	20bn	3.45	100.05R	Mar.1997	0.15R	-	DKB International
Korea Development Bank	10bn	3.95	99.89	Jan.1998	undisd.	-	Yamaichi Intl.(HK)
ITALIAN LIRE							
Depfa Bank(c)	150bn	10.80	101.05	Jan.1997	1.125	-	Banca di Roma
AUSTRALIAN DOLLARS							
New Sth.Wales Treasury Corp.★	100	4.50#	88.138	Dec.1997	1.375	-	Nomura International
Dresdner Australia	75	10.00	101.055	Jan.1998	1.50	-	Dresdner Bank
PESETAS							
FdTH UCI 1, Class A(d1)‡	10.025bn	(d2)	99.9675	Sep.2017	0.23	-	Banco Santander/ Lehman

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Unlisted. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) 3-mth Libor +30bp. b) Short 1st coupon. c) Long 1st coupon. d1) Fondo de Titulizacion Hipotecaria. Average life: 4 yrs. d2) 3-mth Libor +27bp. d3) Class B: 0.425bn, 3-mth Libor +110bp, av.life 8.3 yrs. Lehman sole lead.

London SE expects more emerging market GDRs

By Richard Lapper

The London Stock Exchange expects more companies from the emerging markets to list global depositary receipts in London – despite a recent lull in activity.

Five companies – four from India and one from Argentina – have listed GDRs on the London exchange since the rules were modified in August. The most recent listing – of India's Bajaj Auto – was in early November.

Mr Robert Murdin, head of capital markets at the exchange, said a number of other issues were "in progress and would become public in the near future."

Potential new issues could come from the Pacific Rim countries, Africa, especially South Africa, Latin America, Russia, China and the Indian sub-continent.

The GDR – like the American Depositary Receipt, a proxy for a company's underlying share – allows companies to avoid potential problems linked to settlement, foreign exchange and restrictions on foreign ownership.

It is also cheaper to register than a full listing of shares.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	91.8400	+0.400	10.34	10.69	10.48
Belgium		7.750	10/04	96.8800	+0.210	8.22	8.40	8.48
Canada *		6.500	06/04	83.6000	-0.300	9.12	8.15	9.06
Denmark		7.000	12/04	89.5500	+0.180	8.60	8.82	8.96
France	BTAN	8.000	05/98	102.0800	+0.060	7.31	7.47	7.55
	OAT	8.750	10/04	92.1200	+0.150	7.98	8.19	8.27
Germany Bund		7.500	11/04	101.5100	+0.200	7.28	7.56	7.58
Italy		8.500	08/04	81.9400	+0.320	11.66†	11.88	11.58
Japan	No 119	4.800	06/99	103.3050	-0.210	3.95	4.06	4.12
Japan	No 164	4.100	12/03	96.2490	-0.460	4.69	4.74	4.74
Netherlands		7.250	10/04	98.8200	-0.030	7.42	7.61	7.58
Spain		8.000	05/04	82.2800	-0.130	11.10	11.22	11.14
UK Gilts		6.000	08/99	91-10	-	8.26	8.36	8.58
		8.750	11/04	89-01	+4/32	8.40	8.54	8.67
		8.000	10/08	104-31	+7/32	8.39	8.54	8.64
US Treasury *		7.875	11/04	-	-5/32	7.85	8.02	7.81
		7.500	11/24	-	-1/32	7.98	8.14	7.97
ECU (French Govt)		8.000	04/04	85.1600	+0.210	8.33	8.60	8.67

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
		One month	5.51	Two year	7.26
Prime rate	8½	Two month	5.53	Three year	7.52
Broker loan rate	8½	Three month	5.48	Five year	7.73
Fed.funds	5½	Six month	6.05	10-year	7.85
Fed.funds at intervention	-	One year	6.65	30-year	7.98

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	112.50	112.74	+0.22	113.00	112.46	143,634	112,557
Mar	111.70	111.94	+0.24	112.20	111.66	11,471	39,907
Jun	110.80	111.04	+0.24	111.28	110.80	174	3,236

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Mar	Calls Jun	Puts Jan	Puts Mar	Puts Jun
110	-	2.64	-	0.24	0.70	-
111	-	1.94	2.06	0.46	1.03	2.00
112	0.82	1.36	-	0.87	1.41	-
113	0.40	0.89	-	1.43	1.94	-
114	0.15	0.56	-	-	2.57	-

Est. vol. total, Calls 13,804 Puts 20,169. Previous day's open int., Calls 116,629 Puts 98,890.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	91.41	91.26	-0.22	91.66	91.20	123963	137145
Mar	90.68	90.55	-0.17	90.90	90.50	20247	73613
Jun	90.08	89.80	-0.17	90.08	90.08	66	2

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
9050	0.65	0.99	1.18	1.26	0.60	0.94	1.13	1.96
9100	0.43	0.75	0.94	1.06	0.86	1.20	1.39	2.26
9150	0.26	0.55	0.73	0.87	1.21	1.50	1.68	2.57

Est. vol. total, Calls 7590 Puts 10522. Previous day's open int., Calls 128181 Puts 81207

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	100.70	101.68	+0.92	101.80	100.62	41067	42808
Mar	99.95	100.67	+0.92	100.80	99.95	3966	16113
Jun		99.67	+0.92			0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10050	2.14	1.00	1.97	1.83
10100	1.92	0.81	2.25	2.14
10150	1.60	0.65	2.43	2.48

Est. vol. total, Calls 846 Puts 508. Previous day's open int., Calls 9626 Puts 7725

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	87.78	87.79	-0.06	87.97	87.68	29,113	78,107
Mar	87.00	87.06	-0.06	87.00	86.96	1,180	7,253

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	103-02	103-16	+0-11	103-20	103-00	57122	88671
Mar	102-12	102-27	+0-12	102-30	102-11	30173	37728
Jun		101-27	+0-12			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
102	2-15	2-47	1-25	2-57
103	1-43	2-18	1-53	3-28
104	1-13	1-57	2-23	4-03

Est. vol. total, Calls 1760 Puts 6446. Previous day's open int., Calls 10162 Puts 11151

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	82.10	82.22	+0.12	82.36	82.06	3,664	8,440

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	99-00	98-08	-0-23	99-00	98-06	101,501	323,067
Mar	98-11	97-12	-0-23	97-21	97-21	14,667	105,935
Jun	97-19	97-06	-0-13	97-16	97-06	2,000	12,565

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	108.50			108.67	108.50	614	0
Mar	107.83			107.98	107.82	2161	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Nov 28	Day's change %	Fri Nov 25	Accrued interest	xd adj. ytd		Low coupon yield Nov 28	Nov 25	Yr. ago	Medium coupon yield Nov 28	Nov 25	Yr. ago	High coupon yield Nov 28	Nov 25	Yr. ago
1 Up to 5 years (24)	120.68	+0.08	120.59	2.21	9.83	5 yrs	8.31	8.35	6.00	8.37	8.41	6.25	8.51	8.55	6.36
2 5-15 years (22)	141.62	+0.27	141.24	2.18	11.49	15 yrs	8.30	8.36	6.83	8.41	8.46	6.94	8.66	8.70	7.14
3 Over 15 years (8)	159.39	+0.47	158.64	3.08	10.87	20 yrs	8.28	8.33	6.93	8.41	8.46	6.97	8.59	8.63	7.15
4 Irredeemables (6)	179.98	+0.64	178.83	1.15	13.47	Irred.†	8.37	8.42	7.04						
5 All stocks (60)	138.68	+0.24	138.34	2.35	10.93										

Index-linked							Inflation 5% Nov 28	Nov 25	Yr. ago	Inflation 10% Nov 28	Nov 25	Yr. ago
6 Up to 5 years (2)	187.45	+0.13	187.21	0.78	5.07	Up to 5 yrs	3.77	3.82	2.14	2.56	2.61	1.29
7 Over 5 years (11)	175.16	+0.26	174.70	1.24	4.38	Over 5 yrs	3.81	3.83	3.10	3.82	3.84	2.92
8 All stocks (13)	175.55	+0.25	175.11	1.19	4.41							

Debentures and Loans						5 year yield Nov 28	Nov 25	Yr. ago	15 year yield Nov 28	Nov 25	Yr. ago	25 year yield Nov 28	Nov 25	Yr. ago
9 Debs & Loans (77)	129.64	+0.50	129.20	2.03	10.47	9.43	9.47	7.56	9.40	9.44	7.94	9.36	9.41	8.06

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Nov 28	Nov 25	Nov 24	Nov 23	Nov 22	Yr ago	High*	Low*
Govt. Secs. (UK)	92.46	92.09	92.33	92.37	91.86	103.94	107.04	89.54
Fixed Interest	108.90	108.89	108.95	108.68	108.33	124.64	133.87	108.50

GILT EDGED ACTIVITY INDICES

	Nov 25	Nov 24	Nov 23	Nov 22	Nov 21
Gilt Edged bargains	150.7	134.8	140.4	126.5	152.9
5-day average	141.5	140.4	147.8	141.0	134.4

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on November 28

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	88¼	88½	-⅛	8.49
Alberta Province 7⅝ 00	1000	98⅝	99	-⅛	8.04
Austria 8½ 00	400	101⅝	102	-⅛	8.09
Bank Ned Gemeenten 7 99	1000	98⅝	96¼	-⅛	8.00
Bank of Tokyo 8⅛ 00	100	100⅞	101⅛		7.71
Belgium 5½ 98	1000	82¼	82½	-⅛	8.40
[illegible]					
United Kingdom 7¼ 97	5500	101¼	101½		6.63
Volkswagen Intl Fin 7 03	1000	95⅛	95½	+⅛	7.80
World Bank 0 15	2000	21	21½		7.69
World Bank 5⅞ 03	3000	89½	89½		7.53
World Bank 8⅝ 00	1250	110⅞	111¼	+⅛	6.95
SWISS FRANC STRAIGHTS					
[illegible]					
Abbey Natl Treasury 8 03 £	1000	82⅞	83⅛		9.25
Alliance Leics 11⅛ 97 £	100	106⅛	106½		8.44
British Land 8⅞ 23 £	150	89½	90		10.24
Denmark 6¾ 00 £	800	94¼	94½	+⅛	8.69
EIB 10 97 £	837	103⅝	103⅞		8.09
Halifax 10⅞ 97 £	100	104¼	104½		8.26
Hanson 10⅜ 97 £	500	104	104⅜		8.74
[illegible]					

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
Shorts (Lives up to Five Years)						
Treas 12pc 1995	11.88	5.79	101⅛	—	107⅝	101⅛
Exch 3pc Gas 1990-95	3.04	5.76	98⅝	—	98⅞	97¾
10¼pc 1995	10.03	6.28	102⅛	—	107⅞	102½
Treas 12¾pc 1995‡‡	12.05	6.46	105⅞	—	113⅝	105⅝
14pc 1996	12.99	6.74	107⅞	—	117⅛	107⅝
[illegible]						
Funding 3½pc 1999-4	4.66	7.15	75¼	+⅛	86⅛	69¾
Conversion 9½pc 2004	8.91	8.47	106⅝	+⅛	125⅛	101⅞
Treas 6¾pc 2004‡‡	7.58	8.30	89	+⅛	105⅝	84⅞
8½pc 2005	8.44	8.38	100⅞	+⅛	100⅞	97
Conv 9½pc 2005	8.86	8.43	107⅛	+⅛	125½	102⅝
[illegible]						
Index-Linked						
2pc '96 (67.9)	2.42	3.86	201⅛	+⅛	203⅝	197⅞
4⅝pc '98‡‡ (135.6)	2.88	3.54	107⅞	+⅛	113⅛	106⅛
2½pc '01 (78.3)	3.29	3.72	167⅛	+⅛	178⅞	163½
2½pc '03 (78.8)	3.41	3.75	163⅛	+⅛	173⅝	159⅞
4⅜pc '04‡‡ (135.6)	3.44	3.76	109¾	+⅛	118⅞	107⅝
[illegible]						

Other Fixed Interest

[illegible]

• "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

Full contribution from former Courtaulds business swells profits

Sidlaw on target with 33% rise

By Peter Pearse

Sidlaw Group yesterday revealed a 33 per cent rise in pre-tax profits, boosted by a full 12-month contribution from the flexible packaging businesses acquired from Courtaulds in late summer 1993.

The profits for the year to September 30 were in line with estimates at the time of its £24m rights issue in October.

The Courtaulds acquisition cost £78m, partially financed by a £58m cash call; the recent rights – from which the Scotland-based packaging, oil services and textiles company will have access to about £32m – was to fund a two-year reorganisation and capital expenditure programme for the packaging side.

Group turnover swelled to £289.4m (£172.9m). Operating profits grew 50 per cent to £18.7m (£12.5m), but sharply increased interest charges of £4.18m (£1.54m) led to a more modest pre-tax rise to £14.7m (£11.1m).

Mr Ian Bodie, finance director, said that accounting rules stipulated the inclusion of discounted bills in the balance sheet. This meant gearing climbed to 82 (79) per cent; otherwise it would have fallen to 64 (73) per cent. Pro forma post-rights gearing will be about 30 per cent.

The packaging side made operating profits of £11.1m (£4.72m) on turnover of £161.2m (£54.1m).

Raw material prices for the division continue to rise with basic resin up 70 per cent over the year and polypropylene up 40 per cent. Mr Digby Morrow, chief executive, said shortages were being experienced but he was unsure if price peaks had yet been reached.

Profits from oil services fell to £6.93m (£7.25m) on turnover of £102.7m (£94.5m) after increased losses of £472,000 (£342,000) from the Supplylink joint venture.

Textiles lifted profits to £713,000 (£564,000), after the recovery of a bad debt previously written off. Turnover was 25.4m (£24.3m) and the division remains up for sale.

Earnings edged ahead to 20.6p (20.3p) per share and the final dividend of 6.5p lifts the total to 11p (10.5p).

Tony Andrews

Digby Morrow: shortages in packaging raw materials

● COMMENT

While the oil services side is a good business giving steady growth – albeit at the mercy of the oil price – the packaging side is a much riskier proposition with potentially greater rewards. Analysts now believe too much was spent on the Courtaulds businesses and their reorganisation, but that is history and there is no doubt the packaging side had to expand or wither. The capital expenditure will not show benefits for about 18 months and the 10 per cent margin target for the division by 1997 is ambitious. If achieved, however, that would give earnings of about 30p, giving the shares considerable room for improvement. The jury is out on whether Sidlaw can follow its script, but more are optimistic than not. Flat profits of £16m (after an interest fall) are forecast for earnings of about 18p and a p/e of 11, well below the market.

JLI shows 31% growth to £1.73m

By Peter Franklin

Despite the continuing "difficult trading environment", JLI Group, the food processing and snacks company, reported pre-tax profits up by 31 per cent from £1.32m to £1.73m for the six months to end-September.

The advance was achieved on turnover of £54.3m (£52.5m), including £1.6m from acquisitions, with each of the three divisions making a "solid contribution", according to Mr Yoav Gottesman, chairman.

Within food services, which achieved operating profits of £931,000 (£877,000) on turnover of £20.5m (£19.8m), Jack L Israel had further strengthened its position as a supplier to the catering industry, the chairman said.

The reorganisation in the snacks division had also been successful, he said, with operating profits up from £310,000 to £784,000 on turnover down from £15m to £13.9m.

Kernels Snack Products, the nut processing business acquired in April, had met expectations and was now fully integrated.

The food ingredients side, helped by contributions from Turban and Frozen Herbs, turned in £887,000 (£660,000) on turnover up £2m to £19.8m.

Earnings emerged at 2.8p (2.1p) and the interim dividend is 1.65p (1.8p). The shares closed down 1p at 92p.

Mr Gottesman said the impact of the three cash acquisitions made in the past 12 months, coupled with the seasonally high stock and debtor levels, had increased gearing in the short term.

Analysts are forecasting profits in the region of £5m for the year.

Utd Carriers warns again as too little is now too much

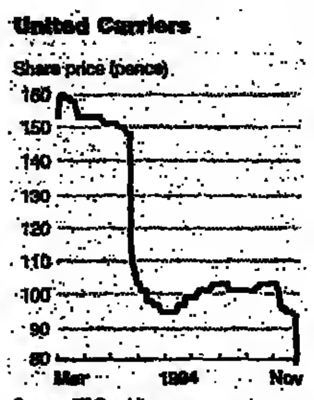
By David Wighton

Events at United Carriers took a surreal turn yesterday as the parcel delivery group issued its second profit warning since going public in February. It blamed the first setback on too few parcels; the second on too many.

Yesterday's warning was accompanied by a boardroom shake-up which sees Mr Michael Howe resign as group managing director and Mr Allan Binks step down as chairman while remaining chief executive.

Mr Binks said: "We have made a right mess of our return to the stock market and none of us can completely absolve ourselves."

The company warned that profits in the second half would be below the first half's £1.2m. The shares fell 15p to 79p, half the flotation price of 153p, as analysts cut full year forecasts from £3.5m to £2m.



In May, when forecasts were £4.8m, the company warned it had suffered a sharp fall in parcel volumes in April. In response it started an aggressive selling campaign. "In the space of a few days a the end of September volumes shot up and we were unable to introduce new resources quickly enough," said Mr Binks.

Operating costs rose sharply as the company was forced to hire new vehicles and take on temporary labour to clear the backlog.

Compensation has yet to be agreed for Mr Howe, who has a two year rolling contract on a salary of £95,000. He will continue to manage the parcel business until his unnamed replacement arrives in January.

Mr Binks said his own £140,000 salary would not be cut in line with his reduced responsibilities. The new chairman is Mr Donblas Rogers, chairman of Newman Tonks.

The company said it would pay a final dividend of 3.3p "in the absence of unforeseen circumstances". The flotation was sponsored by Lazard Brothers with brokers UBS.

Rodime losses deepen while US courts hold key to future

By James Buxton, Scottish Correspondent

Rodime, the Scottish disk drive pioneer whose business is the licensing of its 3.5 inch disk drive technology, has reported a sharp drop in revenue and a big increase in losses, while its future is heavily dependent on lawsuits awaiting judgment in the US.

Losses before tax deepened from $2.14m to $7.02m (£4.28m) in the year to September 30, because of administrative costs associated with lawsuits. Rodime has increased its revolving credit with Bank of Scotland to $14m.

The shares were unchanged at 11p yesterday, having peaked at 51¼p earlier this year. Operating income amounted to $333,000, against $4.18m last year.

Running royalty income fell because no new licence agreements were reached, and all existing agreements are with east Asian manufacturers whose business was reduced by intense US competition.

Rodime suffered a setback in April when a Minnesota judge declared invalid certain claims in its principal disk drive patent in a suit with Quantum, the US disk drive maker.

Rodime now hopes to hear within three to six months the outcome of its appeal, heard earlier this month by the court of appeals in Washington DC.

If the appeal succeeds it will resume its action against Quantum. If Rodime loses, the case against Quantum would fail and the scope of infringement by other disk drive makers, including Seagate, would be materially reduced.

Losses came out at 5 cents (1.9 cents) per share.

Rooney denies Spring Ram stake sale

By Paul Taylor

Mr Bill Rooney, the former chairman of Spring Ram, yesterday denied reports that he was looking for a buyer for his 13.5 per cent stake in the kitchen, bathroom and furniture group.

Mr Rooney, who unveiled a £6.6m deal last week to take control of Atreus, the bathroom goods supplier, said he had no plans to sell the Spring Ram stake. However he acknowledged that he would sell, if offered the right price.

He said he had received several inquiries, "but no serious approaches", following newspaper reports that he was seeking a buyer for his shares. At current prices, his stake in Spring Ram is worth about £26m. The shares were unchanged yesterday at 43p.

Mr Rooney was forced off the Spring Ram board by institutional investors 14 months ago following revelations of false accounting at its Balterley Bathrooms subsidiary and three profit warnings in eight months. Before this, the group had enjoyed 13 years of rapid growth.

Spring Ram announced on Friday that it was continuing its recent expansion with the £4.6m cash acquisition of Pland, a maker of stainless steel sinks.

For the year to September 30 Pland reported pre-tax profits of £676,000 (£570,000) on turnover of £10.8m (£10.5m). Net assets at the end of the period were £4.7m.

Mr Roger Regan, who took over as Spring Ram chairman last year, said: "The acquisition is further evidence of Spring Ram taking opportunities to make strategic bolt-on acquisitions.

In June, Spring Ram acquired a furniture company and in August announced a £5m investment to start a cabinets business. For the six months to July 2 it reported a pre-tax loss of £1.1m (£34.4m) after an exceptional charge of £2.5m for the closure of its Artisan Tile factory.

$20.8m glass buy for CRH

By John Murray Brown in Dublin

CRH, the building materials group, has expanded its interests in the US through the acquisition of Tempglass Group, a glass fabricator, for $20.8m (£12.6m) cash.

The acquisition through Oldcastle, CRH's US holding company, will allow CRH to expand its market and product range, making it the largest independent glass fabricator in North America with total sales of $160m.

It will provide increased purchasing leverage with glass suppliers, and a wider product range for the North American markets, where Oldcastle already has 14 plants in 12 states.

Tempglass operates four plants in Ohio, Texas, Florida and California, producing tempered, insulated and laminated glass, mostly for the non-residential construction sector. Sales in 1993 were $54m and was expected to break-even in 1994.

Tempglass, originally part of RTZ, was bought out by its management. On the death of the largest partner earlier this year, CRH bid for the shares of the other two partners, who will be retained as managers.

The purchase brings CRH's total global acquisitions in 1994 to I£120m £118m).

NEWS DIGEST

Hadleigh £324,000 in the red

Pre-tax losses of £324,000 were announced by Hadleigh Industries Group, the USM-quoted storage tank and trailer manufacturer, for the half year to September 30. Last time there were profits of £332,000.

The result included a loss of £490,000 on the disposal of Lynton Commercial Units in September and an operating loss from that company of £325,000.

Turnover improved to £15.7m (£14.7m), with £2m (£2.66m) from discontinued operations.

Losses per share emerged at 3p (3.1p earnings). The interim dividend is doubled to 1p.

Shield Diagnostics

Shield Diagnostics Group has reported its first pre-tax profit since coming to the market in June last year. Helped by the acquisition of Porton Cambridge, profits for this in-vitro diagnostics company were £19,500. In the period June to end-September 1993 losses were £160,700 and £28,200 for the six months to March 31.

Turnover in the period under review was £2.25m for operating losses of £41,500. Porton contributed turnover of £804,100 and operating profits of £189,700. Net interest receivable was £62,700. Earnings per share were 0.1p.

Edinburgh Income

Edinburgh Income Trust, the split capital investment trust formerly known as EFM Income Trust, reported net asset value per ordinary share of 41.2p at October 31 against 50.7p a year earlier.

The net asset value per zero dividend preference share rose from 48.8p to 51.7p.

Net revenue for the six months fell to £306,000 (£404,000) for earnings of 2p (2.7p). The second quarterly dividend is held at 1p, for 2p so far, and the directors expect to pay an unchanged 4p total.

TR Far East

TR Far East Income Trust raised net asset value per share by 15 per cent from 157.5p to 181.8p in the year ended August 31. Fully diluted figures grew 14 per cent from 148.8p to 169.9p.

The company has applied to have its shares listed on the New Zealand stock market.

After-tax revenue rose to £2.66m (£2.27m) and earnings per share were 5.67p (4.88p). A fourth interim of 1.4p makes a total of 5.5p (5p) and dividends totalling not less than 5.8p are forecast this year.

Cantab Pharmac

Cantab Pharmaceuticals, the biopharmaceutical company, said it had met a significant milestone in the three months to September 30 with the opening of a pilot manufacturing facility on budget at £1.6m.

In the nine months to end-September pre-tax losses were £2.71m (£2m) on turnover of £1.11m (£837,000). Losses per share were 27p (33p).

OEM losses

OEM, the property company, incurred pre-tax losses of £232,000 in the year to June 30, compared with profits of £263,000, which included £679,000 from the office equipment business sold last year.

Turnover was £744,000, against £3.27m, which included £1.69m from the discontinued activities. Losses per share were 3.8p (1.5p).

Independent Parts

Independent Parts Group, the vehicle components company which came to the market in April, made profits of £1.04m pre-tax for the five months to September 30 on turnover of £7.1m. Earnings per share were 6.42p.

COMPANY NEWS: UK

Green's Heron offer clears its first hurdle

By Simon Davies

Mr Steven Green's HNV Acquisition yesterday cleared *the first hurdle to gaining control* of Heron International, Mr Gerald Ronson's property group, by getting substantial support from ordinary shareholders for his offer.

Acceptances were received in respect of 54 per cent of ordinary shares, while a further 38 per cent are held by Heron's banks, which are understood to have agreed to support the offer.

The Annual Meeting was held yesterday, and all the resolutions were passed by more than 95 per cent of voters, including changes to the company's articles of association, which remove a number of standard shareholder rights.

However, the key to Mr *Green's success* remains in the snpport of the senior and junior hondholders, who will meet tomorrow.

Swiss Bank Corporation, which is advising HNVA, said that "voting instructions indicate substantial support for these bondholder resolutions".

A sufficient number of votes have been received to ensure that there will be a quorum at the bondholders' meetings.

Heron's investors are being offered a cash value that represents 45 per cent of the nominal value of senior bonds, 6 per cent of the value of junior bonds, and £7.50 per 1,000 ordinary shares.

Parties who looked at Heron when it was auctioned earlier this year, have suggested that HNVA was offering a full price for the company.

Mr Gary Klesch, a dissident bondholder, said last week that there was another interested party who might present a *package which would offer* a lower risk means of participating in the future recovery of Heron.

No huyer has emerged, and Heron is adamant that the only alternative to HNVA is liquidation, which would hring in less than Mr Green's cash offer, while involving far longer delays in payment.

Field Group advances to £7.26m at halfway stage

By Geoff Dyer

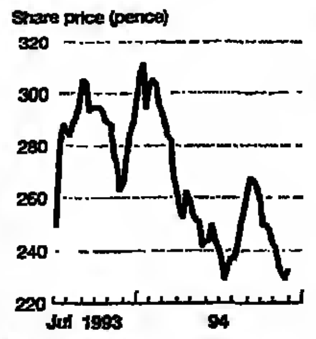
Field Group, the carton maker which went public in July last year, increased pre-tax profits from £2.04m to £7.26m in the 26 weeks to October 2.

Compared with the pro forma figure for the previous half year, which assumes that flotation took place at the beginning of that period rather than in July, pre-tax profits rose by 7 per cent from £6.79m.

In a tough market environment of rising raw materials costs and fierce competition in the food and household sector, total sales nudged up 3.5 per cent to £77.7m (£75m) and operating profits were up 5 per cent *at £7.3m (£6.97m).*

Operating margins were slightly higher at 9.4 per cent, against 9.3 per cent the previous year. Mr Keith Gilchrist, chief executive, said: "We have tried to maintain the margin rather t*han go for increased* volume."

Field Group



Source: FT Graphite

Field, which has a 14 per cent share of the UK market, saw raw materials prices rise by about 25 per cent. The most difficult sector in which to pass these on to customers was food and household products, where there was tougb competition among supermarket retailers.

In tbe international and *branded sector, which constitutes* 52 per cent of group sales, Field has recently won two important single supply contracts – a five-year deal with United Distillers, worth some £6m to £7m a year in sales, and another long-term contract with William Grant & Sons Distillers, worth £1.5m a year.

Helped by a lower tax charge of £1.67m (£1.77m) and a reduced interest hill of £48,000 (£176,000), pro forma earnings per *share improved* by 11 per cent to 9.4p (8.5p). The interim dividend is 2.5p (2.3p). The shares rose 3p to 232p, against a flotation price of 250p.

Normand helps European Motor to advance 48%

By Peter Pearse

European Motor Holdings, the motor retail and services group, lifted pre-tax profits 48 per cent from £2.64m to £3.89m in the six months to September 30. The shares rose 3p to 124p.

In July the group bought Normand Motor Group in a deal worth £11.75m, doubling its size. In two months, the acquisition contributed £1.2m to group operating profits of £3.86m (£2.86m).

Mr Richard Palmer, EMH chief executive, said benefits deriving from the integration of the 20 Normand dealerships – including greater management controls, shrinkage in the workforce, the introduction of a used car business and facility improvements – would come through within 18 months to two years.

Reorganisation costs of *£425,000* and a *£106,000* provision for a non-core disposal took a large bite from the £778,000 profit made from the sale of Norman's Mercedes-Benz dealership in Bristol.

Growth in the pre-Normand dealerships was modest at £2.07m (£1.96m), though Mr Palmer said that August was "a little better than last year" and had started with a robust order intake, which fell off slightly.

He said he was confident of "the market for the types of cars we sell" – premium and prestige cars – would be moving forward and cited the strong January order book as an indicator of the upturn.

Group turnover rose to £126.2m (£81.5m) with Normand pitching in £40.3m.

Operating profits on the motor services side slid to £1.08m (£1.38m), partly as a result of soms customers of Wilcomatic, the automatic car-wash subsidiary, deferring purchases into the next financial year.

Earnings grew to 6.6p (4.9p) per share and the interim dividend is raised from 1.725p to 2p.

Schroder invests in Limelight

By Andrew Taylor,
Construction Correspondent

Schroder Venture Advisers on behalf of institutional investors has paid £35m for a 26.9 per cent stake in Limelight, which intends to seek a listing on the London Stock Exchange.

Limelight, which sells and installs fitted kitchens, bathrooms, bedrooms and conservatories, claims to be the largest privately-owned company in the UK home improvements market.

The investment by Schroder values the company at £130m. Limelight is forecasting after-tax *profits of £11.2m, operating profits of £13m, and sales of £120m for the year to end-December.*

Its brand names include Moben and Kitchens Direct (kitchens); Dolphin (bathrooms); Sharps and Limelight (bathrooms); and Portland (conservatories).

The company expects to have more than doubled its number of showrooms from 185 at the end of last year to more than 300 by the end of this year and to about 500 by the end of 1996.

NM Rothschild and Apax Partners have acted as financial advisers to Limelight, which is owned by its management led by Mr Stephen Boler its founder and principal shareholder.

Barr feud continues as deal terms rejected

By Richard Wolffe

The family feud st Barr & Wallace Arnold Trust flared np yesterday as rebel shareholders rejected a last-ditch agreement with the board of the motor and leisure groop.

The rebels, led by brothers Nicholas and Robert Barr, rejected the deal which had been settled at the end of last week. They also voted down the board's proposals to reform the company's two-tier *share structure.*

The deal would have paved the way for tbe brothers to join the board and for their uncle, Mr Malcolm Barr, to resign as chairman.

However, the brothers, who speak for more than 50 per cent of ordinary voting shares, said the hoard had rejected "compromise proposals".

Mr Nicholas Barr said: "Serious concerns were expressed by management within tbe *company's* two main divisions and the company failed to finalise essential elements of Friday's deal."

The board had wanted to enfranchise the non-voting A *shares, owned almost* entirely by Institutional investors, at an extraordinary meeting in Leeds yesterday.

It said that the hrothers had made unreasonable demands including the appointment of an additional non-executive director and the payment of their independent adviser bills, thought to amount to £245,000.

The rebel shareholders, who want to demerge the *company's two divisions, have* requisitioned a further EGM on Thursday to remove Mr Parker and Mr Brian Small, finance director.

The ordinary shares rose 10p yesterday to 543p, while the A *shares rose 8p to 266p, before* news of the enfranchisement vote was released.

QMH's debt plan in time for AGM

Queens Moat Houses, the hotels group, plans to publish *proposals for its £1.3bn debt* restructuring in the next three weeks.

The group said it hoped to announce the principal terms of the restructuring before the annual meeting, now set for *December 21. The announce*ment is likely to come days, rather than weeks, before the AGM because of continuing objections by just one of the more than 70 debt holders.

This is thought to be Trust Company of the West, a US debt trader which bought its stake in the secondary market. Any restructuring deal needs the approval of all lenders.

Meanwhile, a group of rebel QMH shareholders is proposing a rescue rights issue instead of the restructuring plan which is expected to dilute substantially existing stakes. In a letter, Mr Dennis Woodhams of the QMH Shareholders' Action Group, urges fellow investors to consider his draft proposals and projections to be presented at a meeting soon. A rights issue would be "fairer to shareholders" and satisfy bankers, says Mr Woodhams.

Chelsfield buys Belgravia property

By Simon London

Cbelsfield, the property company run by Mr Elliott Bernerd, has formed a joint venture to buy some of central London's most expensive residential property for £48.5m.

The 17 huildings on the Chesham Place Estate, between Eaton Square and Belgrave Square in Belgravia, are being acquired from the executors of tbe estate of Mr Eric Hopton, who died in 1991.

Chelsfield is taking a 50 per cent interest in a new joint venture with Olayan, the Saudi Arabian investment institution, to buy the portfolio.

The Chesham Place Estate comprises 121,000 sq ft of residential accommodation, including some of the capital's most exclusive addresses, and 85,000 sq ft of offices.

Chelsfield said that the portfolio had been valoed for banking purposes at £53.5m.

Most of the houses and apartments are let on occupational leases at rents far lower than could be achieved in the open market.

Tbe estate generates an annual rental income of £1.3m, against an estimated £3m which could be achieved if all the property was let at today's rents.

The majority of the leases expire in September 1995. Chelsfield will then be free to either negotiate new leases with the occupants or to sell the properties.

"The estate has been well looked after but there are some development opportunities for us," commented Mr Bernerd, Chelsfield chairman. "We envisage a gradual realisation of the portfolio over a number of years."

Knight Frank and Rutley, the *surveyors,* estimated that the break-up value of the estate could be as high as £80m.

Mr Bernerd added that long leaseholds offered for sale would have rarity valne; because Belgravia is dominated by the Cadogan and Grosvenor Estates, which tend to grant shorter leases.

The joint venture company will fund the acquisition through bank borrowings. Chelsfield will manage the properties in return for a management fee linked to the investment performance of the portfolio.

Chesham Place Estate: 17 buildings being acquired for £48.5m

Salvesen plans distribution growth

By Simon Davies

Christian Salvesen has made no secret of its desire to huild itself up as a business services group, getting rid of some of its disparate operations and spending proceeds on distribution and specialist plant hire.

Mr Chris Masters, chief executive, said yesterday: "We are concentrating the business on distribution and Aggreko," and he described the sale of Salvesen Bricks and Vikoma as a *sensible move towards* cleaning up its corporate structure.

In the short term, however, analysts expect this strategy to reduce earnings per share, as the management will be challenged to *find* an equally profitable home for the cash.

The bricks division was expected to make operating profits of more than £7m in the year to March 1995, while attracting a sale price of not much above £50m.

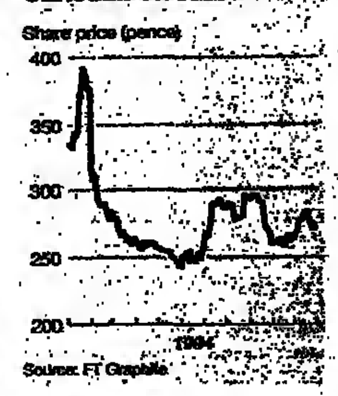
Salvesen is expected to channel the proceeds into expanding its industrial distribution business into Europe, probably through acquisitions.

Mr Masters said yesterday that industrial distribution in Europe was like UK food retail *distribution 10 years ago*, and offered enormous potential.

Following the successful integration of Swift, Salvesen is now looking to broaden its distribution interests in both Europe and the US.

In April this year, the company paid FFr57m (£6.77m) for a French frozen good distributor. Further purchases are expected.

Christian Salvesen



Source: FT Graphite

● COMMENT

Given Salvesen's surprise revelation last February of difficulties in its plant hire business, combined with tough competition in UK distribution, these results were roughly in line with expectations. Disposals will help fund the gronp's expanding distribution business, but investors will still want to be persuaded that the Aggreko plant hire business is under control. Problems in Europe and in Light & Sound *Design, suggest that further* reassurance will be required. On a profits forecast of about £81.5m, Salvesen's shares are trading on a p/e of 12.9, but this discount to the sector rating looks set to rem*ain.*

Kleinwort in French move to win more privatisation work

By Nicholas Denton

Kleinwort Benson, the UK investment bank, is to team up *its Paris corporate finance* department with French executives and shareholders in an effort to win more privatisation work.

Kleinwort will put its existing corporate finance team of five professionals into the venture, capitalised at FFr60m (£7.15m), in which it will have a 51 per cent stake.

"We can no longer confine ourselves to the UK," said Mr Michael Martin, head of Kleinwort Benson France. The minority shareholding will be placed with French institutions *as is customary for French* merchant banks. Four insurance companies have already committed themselves to taking stakes.

Another key slement in Kleinwort's effort to present its venture as a domestic French merchant bank is the appointment of Mr Christian Giacomotto. Kleinwort has lured Mr Giacomotto, who will chair the board, from Groupe Lagardaire, the diversified conglomerate, where he was chairman of Banque Arjil, its investment banking subsidiary.

Kleinwort Benson said it hoped the appointment of a "well-networked" Frenchman would give it a "French patina" and contribute to greater success in winning French privatisation mandates.

In UK privatisations, Kleinwort has established a name as one of the most active houses but France has proved a difficult market and Kleinwort has only acted in subsidiary roles.

Daniel Thwaites ahead at £3.84m

Daniel Thwaites, the *brewer*, wine merchant and public house and hotels operator, lifted pre-tax profits from £3.17m to £3.84m in the half year to September 30.

Last time there was an *exceptional £565,000 loss* on the sale of properties and related plant and the result this time was also helped by reduced interest charges of £1.92m (£2.26m).

Turnover improved to £40.2m (£38m). Earnings per share emerged at 12.9p (9.9p) and the interim dividend is raised to 1.3p (1.2p).

The company's shares trade under Rule 535 (2).

GEC acquires last large Ferranti division

By Paul Taylor

GEC-Marconi is acquiring Ferranti international's civil airport and emergency systems business from the administrative receivers. terms of the agreement, which is *subject* to contract, were not disclosed.

The deal comes almost a year after the joint receivers, Mr John Talbot and Mr Murdocb McKillop of Arthur Andersen, were appointed and marks *the disposal* of the *last* sizeable chunk of the Ferranti businesses.

Ferranti Information & Response Systems is based in Wythenshawe, Manchester and employs about 150 people. It designs, develops and maintains systems for airport information, baggage reclaim, flight information and displays, flight message switching and emergency services command and control.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Christian Salvsn ....int	3.4	Feb 6	3.3	-	6.1
Edinburgh Income ....int	1☆	Jan 12	1	-	4
European Motor ....int	2†	Jan 12	1.725	-	4.25
Field Group ....int	2.5	Jan 20	2.3	-	7.05
Hadleigh Inds§ ....int	1	Jan 13	0.5	-	2
Harris (Philip) ....int	2.2	Jan 23	2.2	-	6.85
Hogg Robinson ....int	2.95	Jan 19	2.75	-	7.1
JLI ....int	1.65	Feb 1	1.6	-	4.8
Joseph (Leopold) ......int	3.4	Jan 3	3.25	-	17.5
Kalamazoo ....int	1	Jan 27	0.85	-	3.3
Marling Inds ....int	0.25	Mar 7	0.2	-	0.77
Merrydown ....int	1	Jan 19	1	-	2.5
Prospect Inds ....fin	0.56	Apr 8	0.525	0.85	0.8
Sidlaw ....fin	6.5†	Feb 3	6.25	11	10.5
Thwaites (D) ....int	1.3‡	Jan 3	1.2	-	4.7
TR Far East ....fin	1.4	Jan 3	1.3	5.5	5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆ Second quarterly making 2p (same) so far. *‡Rule 535 (2) stock.*

COMPANY NEWS: UK

Absence of exceptional gains this time has impact on interim results

Hogg Robinson falls to £7.9m

By Paul Taylor

Hogg Robinson, the travel, transport and financial services group, yesterday reported sharply lower first half pre-tax profits refecting the absence of exceptional gains.

Pre-tax profits in the six months to September 30 fell to £7.91m, against £14.3m when the results included a £6.7m exceptional gain from the sale of the leisure travel business to Airtours for £25m last year.

However, excluding exceptional items, all three core businesses showed significant growth over the period, helped by the performance of the five acquisitions reported earlier this year.

Turnover grew to £95.1m (£78.8m) including £5.05m from acquisitions and operating profit increased to £7.48m, compared with £6.75m last time when discontinued operations contributed £1.2m.

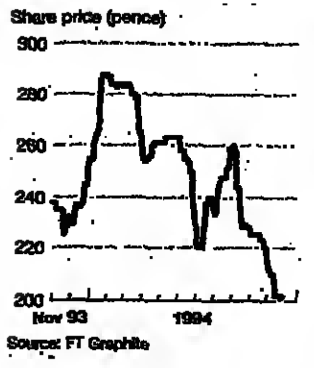
Tha interim dividend is increased to 2.95p (2.75p), payable from earnings of 7.25p (17.28p) per share. The shares closed down ½p at 201p.

Mr Brian Parry, chairman, commenting on the results, said progress so far had been, "in line with plan" and added that the group was, "looking forward to a traditionally strong second half with attractive contributions from the successful integrations of the acquisitions made earlier in the year."

Underpinning the strong operating performance, the business traval division increased its profits by almost 50 per cent to £2.41m (£1.62m) on sales which grew from £16.1m to £19.9m.

Transport improved its market share in its European trailer operations and posted a 35 per cent increase in profits to £3.8m (£2.5m) aided by healthy contributions from its two new acquisitions, Nippress and Snel coupled with a recovery in the Shipping Services business, which mainly undertakas cargo movements between the UK and the Falklands Islands.

Meanwhile the financial services division reported a 15 per cent rise in profits to £2.7m (£2.35m), aided by contributions from the acquisitions of Skillbase and Claybrook. Mr Perry said the recent acquisition of Bain Hogg's financial services business from Inchcape positioned the group, "as one of the leading independent financial advisors in the UK."




Brian Perry: progress so far had been in line with plan

Kalamazoo rises 19% to £3m

By Paul Cheeseright, Midlands Correspondent

Kalamazoo, tha computer services and printed systems group, continued its profits growth with e 19 per cent rise in pre-tax figures in the six months to September 30.

Pre-tax profits were £3m, against £2.53m in the same period last year. This turned into earnings per share of 4.98p (4.2p), and prompted an interim dividend increase from 0.85p to 1p.

Group turnover, however, was slightly lower at £28.26m (£29.56m).

However, Mr Mike Langmore, chief exacutive, explained that in the computer services division, new products had been introduced which had led to £3m of firm orders with e further £3m under negotiation. The results would come through in the second half.

In the printed systems division – lossmaking in 1992-93 but profitable after restructuring – Kalamazoo has been cutting back the range of products and moving into higher value new lines like security printing.

During the second half, Kalamazoo expects a contribution from its newly acquired ET Hi-Tec and WIS Computer Systems, both bought to expand the computer services division. During the first half, new acquisitions accounted for £13,000 of operating profit of £2.77m (£2.52m).

The group holds net cash of £7.4m. "We can do small acquisitions without going to the market for cash," said Mr Langmore.

Philip Harris jumps to £0.95m

Philip Harris, the laboratory equipment maker and pharmaceutical supplier, announced a jump in pre-tax profits from £378,000 to £947,000 for the six months to the end of September.

There was a turnround in the education and scientific division from losses of £148,000 to profits of £344,000 with improved sales in all the division's areas.

Group turnover rose by 13 per cent to £50.2m (£44.3m). Earnings per share came through at 5.77p against 2.42p and the interim dividend is maintained at 2.2p.

Mr Bob Jordan chairman, said the general improvement in all areas of activity pointed to an improved outcome for the full year.

Leopold Joseph at £1.09m

Leopold Joseph Holdings, the merchant bank, turned in pre-tax profits of £1.09m for the six months to September 30, against the background of e volatile financial environment.

Mr Robin Herbert, chairman, cautioned about the future. He predictad e "setisfactory" result for the year, but did not et this stage, expect an improvement on last year's £2.35m, "unless financial market conditions became much easier".

Operating income for the six months was £4.32m and earnings per share came to 14.7p. The interim dividend has been raised to 3.4p (3.25p).

The figures were prepared in accordance with new eccounting rules for banks and because of the different reporting basis, no comparatives are available.

Marling unloads lossmaking subsidiary

By Geoff Dyer

Marling Industries, the industrial textiles company, yesterday announced a 25 per cent increase in interim pre-tax profits and the sale of its lossmaking German industrial webbing subsidiary.

Mr David Abel Smith, chief executive, said that the disposal of Oppermann was part of the strategy of concentrating on higher margin products. "We have now completed the task of eliminating the problems of the past."

The original owner, Mr Hans Dieter Oppermann, has acquired the company – which lost DM363,000 (£148,000) in the six months to September 30 – for the nominal consideration of DM1. Oppermann will retain debts of DM810,000.

Marling is keeping Oppermann's seatbelt webbing business, which has been transferred to its Netherlands factory. It incurred a £1.24m loss on the disposal.

Marling's pre-tax profits for the six months to September 30 rose to £1.14m – after the £1.24m charge – compared with £910,000, which included £485,000 losses on disposals. Turnover advanced 8 per cent to £32m. That compared with £29.5m – including £4.04m from discontinued operations.

Operating margins on continuing businesses rose from 7 per cent to 9.8 per cent, despite higher raw materials costs.

Mr William Rollason, finance director, said that all the group's businesses had shown improvement. The main business, seatbelt webbing, benefited from increased demand in the UK and continental Europe.

Gearing fell from 95 per cent to 83 per cent. Mr Rollason said the ratio would be 70 to 75 per cent at the year end.

Earnings per share fell to 0.08p (0.29p). The company said that on continuing operations, and before charges, earnings rose to 0.78p (0.35p). The interim dividend is 0.25p (0.2p), payable as a foreign income dividend.

Prospect Inds rises 2% in difficult conditions

By David Wighton

Prospect Industries, the power station engineering and maintenance group, saw profits edge up 2 per cent to £5.17m before exceptional items in the year to September 30.

Mr Philip Wilbraham, chairman, said that trading conditions in the UK remained "extremely difficult" with no immediate prospect of improvement.

But he added: "Competitors such as Babcock and Senior have both lost money in our sector and I don't see managements of their quality allowing that to continue."

Group turnover rose 16 per cent to £67.4m but margins slipped, partly reflecting the costs of expansion overseas. US profits fell to £128,000 (£333,000) on turnover of £8.55m (£5.1m).

Last month, Prospect acquired Whessoe's lossmaking piping systems division for £11.7m in shares with the aim of accelerating its international development.

Its UK-based business is now being integrated with Prospect at e cost of between £750,000 and £1m. Prospect's gearing, which was 108 per cent at the end of the period, has been cut below 50 per cent following the acquisition and share issue.

After exceptional items, including a profit of £736,000 on the sale of the final tranches of the Graystone loan note, pre-tax profits rose to £5.91m (£4.02m). The company's brokers, Peel Hunt, forecast a rise to £8.5m this year.

Adjusted earnings per share were 2.01p (1.93p) and the final dividend is 0.56p giving a total for the year of 0.85p (0.8p) – up 6.25 per cent.

NEWS DIGEST

Merrydown recovers with £0.34m

Merrydown, the Sussex-based cider and soft drinks maker, returned to the black with a pre-tax profit of £340,000 for the half year to September 30.

The figure represented a marked improvement on the outcome for the year ended March 1994 when, after exceptional costs of £2.99m, the company was left with a deficit of £2.79m.

At the halfway stage last time there was e pre-tax profit of £932,000.

Turnover for the period under review amounted to £12.1m, up from £11.3m in the 1994 first half.

Earnings came out at 2.08p (5.72p) per share and the interim dividend is maintained at 1p.

Merrydown's shares fell 4p to 85p.

Burmah Castrol

Burmah Castrol, the lubricants and chemicals group, is forming a joint venture in Jordan as part of a £4.5m expansion of its construction chemicals business in a number of emerging markets.

The Jordanian joint venture, in which Burmah's Fosroc subsidiary has a 70 per cent stake, is building a factory in Amman which will also supply the Lebanese, West Bank and Syrian markets. These are expected to grow rapidly as a result of the Middle East peace process.

Meanwhile Fosroc is increasing its stake in its Indian joint venture from 40 per cent to 74 per cent.

It is also building two new factories in Korea and Indonesia.

Caverdale buy

Caverdale, the motor retailing and industrial products group, has acquired GE Harpar, a Volkswagen and Audi dealer, for £2.4m in cash.

The ecquisition will be financed from existing resources and from the sale of e stake worth £1.56m in United Dutch Group.

Harper made pre-tax profits of £130,000 in 1993 on turnover of £4.8m. Caverdale now holds 16 vehicle franchises in 25 locations.

Drayton Blue Chip

Drayton Blue Chip Trust suffered e fall in net assets per share to 63.4p at September 30, against 80.7p six months earlier.

Net revenue for the six months however, improved from £503,000 to £551,000 and earnings per share were 4.359p (3.981p).

The interim dividend is maintained at 2.905p.

Ocean Group

A syndicated loan arranged by Lloyds and WestLB banks for Ocean Group, the freight and transport company, has been oversubscribed and increased from £70m to £106.5m.

The money will be used to pay off an existing £70m loan and other loans.

The 5¼ year, multi-currency deal, which was priced at 30 basis points over Libor, was targeted at banks which already had a relationship with the company.

Banks in the deal are: Lloyds, WestLB, Rahobank, Bank of America, Sumitomo, Toronto Dominion, Crédit Lyonnais, Deutsche, Midland and First Chicago.

Abtrust Emerging

Abtrust Emerging Economies Investment Trust had net revenue of £393,472 for the period to September 30.

Undiluted net asset value per share amounted to 101.84p, compared with 95.92p at launch and 98.06p et the interim stage.

The trust, which was incorporated on September 24 last year, had earnings per share of 0.79p. Tha board hes announced an ordinary dividend of 0.2p and a special dividend of 0.4p.

Martin Currie Eur

Martin Currie European Investment Trust had a net asset value of 117.9p per share at end-October against 117.7p a year earlier and 127.8p at the April 30 year-end.

Net revenue for the six months jumped to £228,000 (£99,000) for earnings per share of 0.99p (0.43p).

The trust does not pay interim dividends.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 28.11.94 Pool purchase price £/MWh	Final Prices for Trading on 01.11.94 Pool purchase price £/MWh	Final Prices for Trading on 01.11.94 Pool selling price £/MWh
0030	8.29	9.57	12.38
0100	8.78	28.63	32.45
0130	8.95	28.63	32.45
0200	8.95	28.63	32.45
0230	9.25	28.63	32.45
0300	9.25	28.63	32.45
0330	9.24	9.57	12.38
0400	9.21	9.22	9.22
0430	9.21	9.20	9.20
0500	9.12	9.20	9.20
0530	9.22	9.21	9.21
0600	9.22	9.30	12.12
0630	9.21	27.36	30.16
0700	10.09	28.32	31.14
0730	32.64	27.78	30.59
0800	32.67	30.05	32.88
0830	32.62	30.05	32.88
0900	33.78	32.45	35.27
0930	37.63	32.77	35.59
1000	37.84	32.77	35.59
1030	37.61	32.78	35.60
1100	33.20	32.78	35.60
1130	32.75	32.78	35.60
1200	32.74	45.92	48.75
1230	32.83	45.92	48.75
1300	32.68	45.91	48.73
1330	32.66	32.77	35.58
1400	30.93	32.76	35.58
1430	30.93	32.78	35.67
1500	30.93	32.76	35.57
1530	30.97	32.75	35.58
1600	33.59	32.88	35.74
1630	75.74	47.88	52.65
1700	140.68	79.39	90.41
1730	167.87	100.44	111.49
1800	138.78	97.21	107.43
1830	73.44	62.82	68.85
1900	49.33	49.33	53.15
1930	41.05	46.51	49.61
2000	38.68	45.71	48.57
2030	38.41	38.20	41.02
2100	31.24	32.45	36.27
2130	31.23	30.50	33.31
2200	31.23	30.50	33.31
2230	29.56	30.50	33.31
2300	30.40	28.32	31.14
2330	9.29	10.04	10.04
2400	9.20	9.22	9.22

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.868/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8:30am and 5:15pm Monday to Friday.
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CONTRACTS & TENDERS

COMMODITIES AND AGRICULTURE

Deficit forecast steadies London coffee futures

By Richard Mooney

A forecast from Colombia's National Coffee Growers' Federation of a bigger-than-expected world supply deficit in the 1995-96 season steadied coffee futures in London yesterday.

The January futures position at the London Commodity Exchange, which last week dipped below $3,000 for the first tima since late June, closed $25 higher at $3,013 a tonne after touching $3,040 earlier in the day.

Dealers said early buying had been encouraged by the Colombian forecast, which suggested that demand would outstrip supply next year by 11m bags (60kg each). Higher green-coffee imports by Germany during August, compared with July, also helped, a trader told the Reuters news agency.

Last week's $400-plus plunge to $2,870 a tonne followed news that Brazilian coffee stocks were higher than most analysts had estimated.

Over the previous two weeks the January price had slipped $320 after Brazil's issued an official assessment of its frost- and drought-damaged 1995-96 crop that was broadly in line with market estimates. Speculators, confident that no further market shocks were imminent, began selling their long positions; and the resulting lower prices attracted no significant roaster buying.

Farm leaders attack set-aside delay

By Alison Maitland

British farm leaders yesterday attacked the European Parliament for holding up implementation of a cut in the amount of arable land which European Union farmers have to leave uncultivated as "set-aside" next year.

Sir David Naish, president of the National Farmers' Union, said that the procedural hold-up by the parliament in giving its opinion on the cut was causing farmers "delay and uncertainty".

Mr William Waldegrave, agriculture minister, agreed that the delay was "irritating" as it was becoming too late for farmers to make drilling decisions for next year.

The reduction of 3 percentage points to 12 per cent in the amount of land that arable farmers have to set aside next year was agreed by EU agriculture ministers a month ago. But the parliament must pronounce on the move before it can be implemented by agriculture ministers.

Sir David said there was concern that the parliament might not give its opinion in time for the last agriculture council meeting of the year, in mid-December.

"Farmers and growers are consistently being exhorted to move closer to the market place," be said. "But that can all too often turn into a nightmare in the business sense if the politicians indulge in verbal sparring of a kind which bears little reality to what is bappening in the market place."

Winter wheat crops should mostly have been drilled by now, and many farmers are believed to have gone ahead in planting more land than last year on the assumption that the cut will be implemented.

If they left the decision until late December or January, they would be restricted to planting lower margin varieties of wheat or crops sucb as barley.

Gengold plans Oryx scale-down

By Mark Suzman in Johannesburg

South African mining producer Gengold has said that it plans to scale down underground mining operations at its troubled Oryx gold mine pending further investigation of the reef.

This follows the announcement earlier this year that the mine would probably need R950m (£150m) in new capital on top of the R2bn already invested if it was to become commercially viable.

According to the company, preliminary sampling bas revealed unusual variability in the grade of the reef. In consequence, the mine will require an addition 2,000 metres of reef development to explore the area further and determine whether there is in fact an exploitable high grade channel within the main ore body. This development is expected to be completed by December 1995.

As a result of the move, the mine's workforce will be scaled down from 3,200 to 1,200 although Gengold plans to offer most of the workers alternative employment on other mines in the group.

Gencor, Gengold's parent company, has agreed to underwrite the additional exploration at the cost of R12m a month. However this excludes financing costs and Gengold says it will seek further consultation with Oryx's bankers.

Meanwhile Gengold says that the initial R979m in interest-free loans provided by the mine's major shareholders – Gencor, mining house Anglo-American, investment group Genbel and financial group Sanlam – will be capitalised in the near future.

Australian coal industry faces 'critical year'

David Lascelles reports on efforts to raise productivity and improve labour relations

Mr Bob Humphris, the chairman of the Australian Coal Association, describes this as "a critical year" for the world's largest coal exporter.

Ths industry, long hampered by poor labour relations and low productivity, is trying to shake off the past and protect its share of the booming Pacific rim coal market.

In the next few weeks, a joint government-industry-labour council will receive the report of Mr Rae Taylor, a former civil servant who has been studying the impediments to the growth of the Australian coal industry, and particularly to its exports. He is expected to highlight high production costs, poor labour relations, and other obstacles such as the government monopoly of the railway system.

The employers and mine owners bope that this report will finally clear the way for the industry after years of labour confrontation. In their submission to the inquiry, they said: "Coal industry management has been trying for years now to break out of these inherited shackles and attitudes, and to transform the industry into one more befitting the competitive environment of the 1990s".

The submission pointed out that Canada and the US had higher productivity rates for thermal coal than Australia, and were raising it at a faster pace. At the same time, new producers are entering the market, notably Indonesia whose most expensive mines are lower cost than Australia's cheapest. In coking coal, Australia has a stronger position, but the submission warned: "The North Americans are achieving big gains in productivity, and are in the market looking to expand tonnage substantially".

The labour organisations, not surprisingly, dispute these claims. The mineworkers union blames tha Australian industry's high costs on poor management, and its low profitability on the failure of company negotiators to obtain the best prices for coal, particularly from the Japanese. Earlier this year, a dispute on this issue led to walk-outs by miners, and unions are threatening further disruptions in the latest round of price negotiations.

Whatever Mr Taylor has to say, bowever, important changes are already afoot.

In a major departure, the special labour tribunal which has existed for the coal industry since the last war, is due to be linked to the mainstream industrial relations tribunal next July. The old tribunal, from which there was no appeal, was widely seen as an encouragement to mineworkers to consider themselves "special".

Nor is the sense of crisis which the coal owners seem keen to foster reflected closer to the ground.

Last year, the industry produced a record 180m tonnes, and exports, at 132m tonnes, were also the highest ever. That made coal the largest single contributor to Australia's foreign earnings with nearly $A8m (£3.89bn).

The coal industry also has some major expansion plans afoot. Shell, the third largest producer after BHP and CRA, is heading a consortium including Japan's Marubeni and Showa that is investing $270m in a new underground mine at Darthrook in the Hunter Valley. The mine will produce about 3.5m tonnes a year, largely for export to foreign electricity utilities, beginning in 1996.

Shell stresses, however, that heavy investment in Dartbrook is only possible because it has a very thick seam (an average 3.8m) capable of being mined with the most modern high-capacity, longwall equipment.

"Margins in coal mining are slim, making investment in new mines difficult unless you have super geology. We have that at Dartbrook," says Mr Gordon Summers, Shell's general manager for coal.

The mine is also strategically located on the railway connected to the modern coal loading terminal at Newcastle, about 200km north of Sydney. The government of New South Wales recently agreed to open the line to competition from private hauliers, a move which it estimated would save coal producers $1.80 to $1.90 a tonne.

Shell is considering two further major investments in Queensland, for which the final go ahead is unlikely to be given until after the Taylor report has come out. One is Moranbah, a coking coal mine with a 3m tonnes a year capacity, where an investment of $270m is foreseen. If work started in early 1996, it would be producing in 1999. The second is Theodore, which would export 4m tonnes of thermal coal.

Ironically, some of the new investment may have been triggered by the uncertainty surrounding the future of the industry. If big changes are indeed on the way, they should create new opportunities for those who can seize them.

Mr Humphris says: "Before, we all travelled at same rate because of the restrictions on the industry. Now, the smarter companies are going to do better".

But there is also a sense that prices are recovering from a three-year slump, which took them down by 20 per cent or more, and that long term demand prospects are good in the region. Large purchasers like Japan and Korea see demand growing, and new customers such as Thailand and India are stirring.

According to Mr Humphris, there is no "Euro-style swing away from coal" in the Far East and Asia.

Were it not for concerns about "greenhouse" gases and the environment, he believes that coal would be "on the verge of most exciting expansion in history".

Australian mineworkers have threatened to disrupt export coal supplies unless companies wring a significant price increase out of the Japanese steel and electricity industry customers in the annual round of price negotiations now getting under way in Tokyo, writes Nikki Tait in Sydney.

The threat could herald a repeat last year's experience when mineworkers walked out for several days in protest at the coking coal contracts and then held a second 48-hour stoppage over steaming coal price agreements. Their action prompted the federal government to agree to an inquiry into the industry, conclusions of which are due to handed down shortly.

Yesterday, Mr John Maitland, president of the powerful Construction, Forestry, Mining and Energy Union, said that Australian producers "should not think of settling for anything less than [a] US$10 per tonne [increase]" and that be would not be prepared to guarantee the supply of export coal if company representatives could not negotiate a good price.

There have been some rumours that producers would be willing to take a rise of US$6 a tonne, but Mr Maitland said that this "would represent no real increase at all in Australian dollar terms".

Last year, producers accepted price cuts of about 8 per cent in US dollar terms – with prices of hard coking coals falling by US$4 a tonne. However, the Australian dollar has gained ground against the US currency over the past 12 months.

Coal is Australia's largest export category, and the price agreements with the Japanese – negotiated annually – are used as a price-setter for the industry. The cuts agreed last year in the wake of big financial problems for the Japanese steel mills and threats of undercutting by Canadian producers, represented the fourth successive year in which prices had fallen.

MARKET REPORT

Nervous selling hits prices at London Metal Exchange

A bout of nervous selling and liquidation hit all London Metal Exchange contracts yesterday afternoon and only COPPER found support before the end of the session.

Three months delivery TIN lost more than $200 a tonne, while ALUMINIUM was down $65 and ZINC $40.

"They lost some of their npward momentum last week and this was enough to get some investors to lighten their load. . . it just snow-balled," a trader explained.

Aluminium was hit in a thin lunchtime inter-office market by US selling, which took the three months price below $1,880 a tonne, triggering stop-loss selling down to $1,827.

At the London Commodity Exchange COCOA futures ran out of steam to close sharply lower as trade selling in New York triggered mixed selling and stop-losses in London, dealers said.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1833-4	1850-1
Previous	[illegible]	[illegible]
High/low	[illegible]	[illegible]
AM Official	[illegible]	[illegible]
Kerb close	[illegible]	[illegible]
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ ALUMINIUM ALLOY ($ per tonne)

■ LEAD ($ per tonne)

■ NICKEL ($ per tonne)

■ TIN ($ per tonne)

■ ZINC, special high grade ($ per tonne)

■ COPPER, grade A ($ per tonne)

■ LME AM Official £/$ rate: 1.5621

■ HIGH GRADE COPPER (COMEX)

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Nov	382.9	-1.7	-	-	39,658	34,934
Dec	382.9	-1.8	384.7	382.7	-	-
Jan	[illegible]	-1.8	-	-	51,311	18,794

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	104.85	-0.35	105.00	104.90	1,841	86
Mar	106.70	-0.40	107.25	106.70	1,557	52
May	108.70	-0.40	109.25	108.75	1,648	105

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	950	-23	973	948	15,537	963
Mar	961	-27	989	958	42,498	2,507
May	967	-24	986	964	16,102	878

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	67.825	-0.050	68.225	67.800	18,867	5,316
Feb	67.775	+0.100	68.050	67.500	25,481	7,319
Apr	68.800	+0.225	69.075	68.525	17,365	1,858

■ LIVE HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lbs)

LONDON TRADED OPTIONS

■ ALUMINIUM (99.7%) LME

■ COPPER (Grade A) LME

■ COFFEE LCE

■ COCOA LCE

■ BRENT CRUDE IPE

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jan)

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

■ OTHER

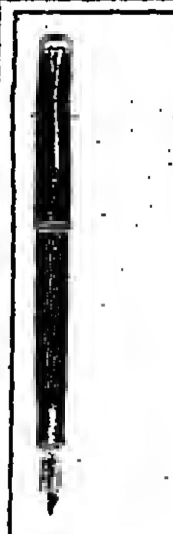
VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

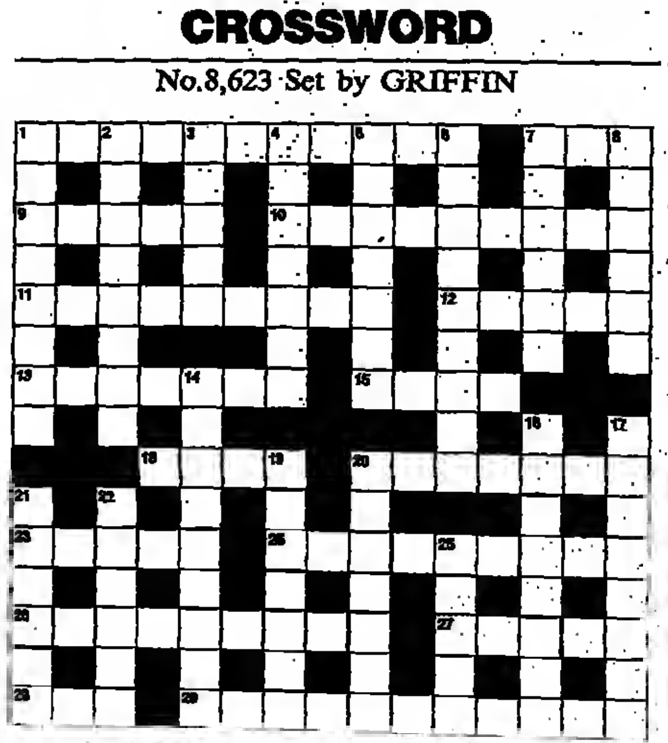
■ REUTERS (Base: 18/9/31=100)

■ CRB Futures (Base: 1967=100)



CROSSWORD

No.8,623 Set by GRIFFIN



ACROSS

1 Film Elvis Presley with crossword compiler (3,4,3,1)
7, 20 He took part in one (3,7)
9 Name district without a stadium (5)
10 Cover man in train crash (9)
11 A gas expert, yet Len is wrong (9)
12 Unsuitable writer comes back in it (5)
13 Tempts with diamonds an eccentric sent round (7)
15 Long pole superfluous for a time (4)
18 Deborah appears in 1, 28, 29 and "The Locker Room" (4)
20 See 7 across
23 Appropriate American to hold ringleader up (5)
24 Has been a fast sort of jollification (9)
26 Having transposed tune hunt round for singer (9)
27 Play with a tot first (5)
28, 29 Film Edna at broadcast, with feeling (3,3,6)

DOWN

1 Note Bill requires about baked items (8)
2 Even the new student entered date (8)
3 Where it always goes around 50 (5)
4 Understands model girl'e into boastful talking (7)
5 Bloomers here tend to be by transport system (7)
6 Supposed to give May a ring I designed (9)
7 Shouted you once a wooded valley turned up (6)
8 Distance Len got having dropped round hospital (6)
14 Film transported to place by soldiers (9)
16 Doctors hint about man's breathing improver (8)
17 First ten volunteers into sea, somewhere in France (8)
19 Bend our unwound spring back! (7)
20 Snpporter really showing courage (7)
21 Sweet coupla sing it about Elsie for the audience (6)
22 Chap first asked about article here (6)
25 Bored when served food in an aeroplane? (3,2)

Solution to Saturday's prize puzzle on Saturday December 10.
Solution to yesterday's prize puzzle on Monday December 12.

LONDON STOCK EXCHANGE

MARKET REPORT

Equity market in good shape ahead of Budget

By Steve Thompson

The London market continued its rehabilitation process yesterday, and was supported by renewed steadiness on Wall Street, where the Dow Industrial Average built on Friday's good performance.

Aiding the domestic market's confidence was a growing feeling that the government would comfortably get its EU contributions bill through the House of Commons last night. And with the political wind said to have shifted in the prime minister's favour, there was also e better feeling around the markets in terms of the Budget.

Dealers were taking the view that the market's recovery boded well. "Although you can never be sure, it seems unlikely that there will be many *downside* shocks in the Budget, judging by the market's performance today," said one.

The FT-SE 100 Index ended only *marginally below the day's best* and a net 13.6 up at 3,047.1. There was a similarly *strong showing* from tha market's second-line issues, the FT-SE Mid 250 Index settling 9.7 firmer at 3,490.0. One area of disappointment was the level of business in tha market, which remained depressed after the recent heavy losses and amid persistent fears of further big retreats by the market.

Turnover, although boosted by at least two programme trades, one very small and the other of medium size, reached 560.6m shares. Non-Footsie turnover accounted for 350.8m, or 63 per cent of the total. The Stock Exchange revealed that customer business last Friday just about crept over the £1bn level.

The Footsie began the session on *a firm note*, up *6.4*, *and moved* ahead steadily as some of the more *optimistic fund managers picked up* what they perceived to be cheap *stock ahead of the Budget*.

Marketmakers, still traumatised by last week's *steep falls*, were *said* to have been running level to short books *and were quick to lift their* dealing levels at the appearance of any meaningful demand.

The early wave of buying interest drove the Footsie up to the day's high, 3,049.8, over lunchtime, but interest subsided thereafter, as dealers began to manoeuvre their trading books to mostly level positions in front of the Budget.

Wall Street extended last Friday's recovery trend, moving quickly to record a 30-point gain on the day, before slipping off to show a rise of 20 points an hour and a half after *London had closed*.

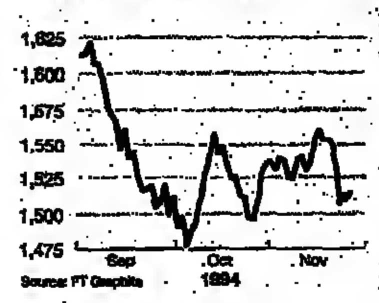
Although preoccupied with the *Budget, equity traders in London* will have to keep a weather eye on *Wall Street*, which has to deal with a long list of important economic *data* this week. The numbers include a final revision of third-*quarter gross domestic product*, expected tomorrow, the highly regarded National Association *of* Purchasing Management index, due on Thursday, and Friday's employment report.

Strategists said that any rise much in excess of an expected increase of 225,000 in US non-farm payrolls could bring renewed pressure for a further tightening of the Federal Reserve's interest rate policy, which was seen as the main cause of big falls across international stock markets last week.

The ever-present threat of a windfall profits taxation continued to *unnerve some* investors in the utilities areas. There was, howaver, good *support* for some of the electricity stocks, with one of the big European *securities* houses chasing issues such as Yorkshire Electricity and Northern Electricity.

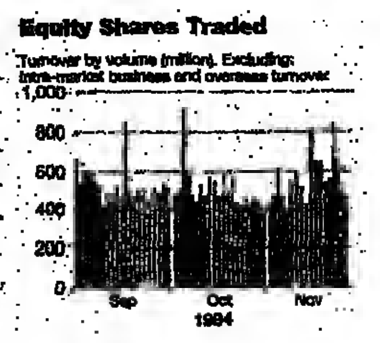
NatWest Securities sounded e note of caution ahead of the Budget. In its latest Equity Market Commentary, the stockbroker noted that equities have moved in the opposite direction to gilts over the last week, and pointed out that this suggested that markets are worrying about the outlook for growth. "In this context," NatWest said, "it is worrying to see downgrades outnumbering upgrades in November – for the first time since February."

FT-SE-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover.



■ Key Indicators

Indices and ratios

FT-SE 100	3047.1	+13.6	FT Ordinary index	2335.1	+11.8
FT-SE Mid 250	3490.0	+9.7	FT-SE-A Non Fins p/e	18.34	(18.27)
FT-SE-A 350	1528.9	+6.2	FT-SE100 Fut Dec	3055.0	+20.0
FT-SE-A All-Share	1514.98	+5.95	10 yr Gilt yield	8.46	(8.50)
FT-SE-A All-Share yield	4.03	(4.05)	Long gilt/equity yld ratio:	2.13	(2.13)

Best performing sectors		Worst performing sectors	
1 *Engineering*, Vehicles	+1.9	1 Textiles & Apparel	-0.7
2 Water	+0.6	2 Household Goods	-0.6
3 Banks	+0.8	3 Property	-0.4
4 Engineering	+0.7	4 Health Care	-0.3
5 Pharmaceuticals	+0.7	5 Distributors	-0.3

Dividend hope for Recs

Regional electricity companies (recs) advanced as the market looked beyond the Budget and to *the forthcoming results* season, with its possibility of big dividend payouts.

Analysts said worries about e *possible windfall tax* on excess earnings had been discounted. And, *although* all ears would be on possible com*ments about the future of the* National Grid, investors were *beginning to concentrate on* the interims, which begin with Seeboard on Thursday.

Mr Stephen Doe of Hoare Govett commented: "We could see outstanding dividends of up to 40 per cent from some of these companies." Seeboard, which has been trading around its all-time high, eased 1½ to 408p. Northern and Yorkshire, both bought actively by Swiss Bank according to dealers, rose 22 to 809p and 10 to 721p.

VSEL power

VSEL continued to power ahead on rumours of an imminent *increased* offer for the submarine maker from elec*tronics giant GEC, rising 15* to 1535p for an advance over the *past two trading days of 40.*

The December 7 deadline for a decision *from* the Office of Fair Trading on whether to refer aither of the two competing bids for VSEL – British Aerospace is the other contender – to the Monopolies and Mergers Commission is just over a week eway.

The odds on Sir Arnold Weinstock and his team at GEC upping the ante before hand look to have shortened significantly in recent sessions. BAe added 3 et 455p, pushing the value of its all-share offer above 1500p. GEC, which improved slightly to 274½p, *has an all-cash offer* of 1400p on the table and is expected to *lift this* to *at least 1550p*.

RBoS rethink

Reassessment of the prospects for Royal Bank of Scotland ahead of figures on Thursday saw the Scottish clearer's shares lose 7 at 416p. The change of heart followed disappointing comments from the bank's insurance subsidiary Direct Line.

BZW, whose ardour has been cooling for some time, finally put the stock on its *sell list*, saying Direct Line's profits would peak in two years' time and, as such, the RBoS valuation was too high.

The investment bank *believes that RBoS is at a current* price to book value of 4.7 times and sees the share price falling to 380p. It forecast a profit on Thursday of £520m giving earnings per share of 36.4p and a 13.2p dividend.

Barclays moved ahead 10 to 597p on switching out of Lloyds, up 3 at 567p.

A large block of TSB sold at abova the prevailing market price, and via a marketmaker anxious not to go short ahead of the Budget, saw the underlying stock gain 8¾ at 227p.

Dealers hung fire on Singer *& Friedlander*. The merchant bank confirmed it was in talks with *Nordbanken, of Sweden*, over buying the Carnegie brokerage but gave no further details. The shares held at 81p.

Insurer General Accident slipped 5 to 536p, with institutions digesting a cautious note from Smith New Court which argued that tha shares were now at an over-demanding premium of between 28 and 30 per cent above net asset value.

Northern Ireland Electricity rose 5 to 362 after agreement to restore the Republican power link, out of service since 1975.

Historically one of the Budget's more price sensitive sectors, drinks shares showed no obvious signs of nerves with a number of stocks putting in a steady showing. Bass gained 5 to 531p and GrandMet put on 2 to 398p following a switch recommendation from Nomura Securities.

The top Japanese house told clients to switch out of Guinness and into GrandMet given the way the stout producer has outperformed over the past month and GrandMet's weakness ahead of this week's interims. Guinness shed 3 to 453p.

Allied Domecq rose 10 to 563p, partly in response to over-selling following last week's results but mostly on the perception that today's Budget statement will not produce duty increases.

Ahead of next week's inter*ims and helped by positive* comment from brokers James Capel, Scottish and Newcastle added 7 at 507p.

Dollar *sensitive* stocks responded to the stronger US currency. Glaxo gained 5 to 626p and Unilever 9 to 1112p.

International conglomerate Hanson, which reports full-year figures on Thursday added 4 at 231p.

Healthcare group Smith & Nephew eased marginally to 151p following a strong performance recently.

NatWest Securities issued e weighty review which argued inter alia that demand for oil *was rising as OECD countries* emerge from recession and *Iraq* oil was *unlikely* to *return* to the market in significant quantities before the 1996 US election. The house maintains its forecast of $19 a barrel for Brent crude and focuses on stocks with "low valuations and high leverage to e still improving industry background." The choices include BP which rose 1¼ to 418¾p and Lasmo which improved 2¼ to 146½p despite news that the company's corporate development director, Mr Norman Davidson Kelly, is to resign at the end of the month.

Shell Transport failed to get above 696p despite a recommendation on its Royal Dutch arm by Paine Webber.

British Steel rose 3 to 156p in turnover of 11m shares, helped by US press reports of strong North American steel prices extending into 1995 and possibly 1996.

Elsewhere among engineer*ing shares, Siebe recovered* 8 to 558p in advance of next week's interim results. TI Gronp gained *6* to *372p* while renewed focus on a big foreign partner for its Rolls-Royce cars business underpinned e again of 8 to 184p et Vickers.

Textile leader Coats Viyella fell 3 to 199p after Smith New Court shaved forecasts and Courtaulds Textiles shed 11 to 449p in sympathy. Analysts are concerned that the unseasonally warm weather will hit autumn sales, possibly forcing companies to discount prices.

MEPC, which unveils interim results on Thursday, *gained* a *penny to 400p* but Land Securities had a less *resilient* dey, *tumbling* 9 to 589p ex the dividend following an unfavourable note ebout asset values from property advisers Savills.

Diversified industrial Williams Holdings held steady at 348p following the £80m purchase of the Angus fire equipment business from engineering services group BBA. BBA gained 3 to 203p.

Heavily dealt with 7.8m shares changing hands, BTR managed to hold steady at 285p despite weekend press suggestions of nervousness among some institutional shareholders following last week's resignation of the group's chief operating officer.

MARKET REPORTERS:
Peter John,
Jeffrey Brown.

■ Other statistics, Page 26

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (17).

GILTS (1) Treasury 8pc 2000, BUILDING & CNSTRN (1) Pochins, DISTRIBUTORS (3) Middlesex, Wilshaw, ELECTRNC & ELECT EQUP (1) Control Tech, ENGINEERING (3) Hadleigh Inds., Turnpyke, VSEL Consortium, HOUSEHOLD GOODS (1) Independent Parts, INVESTMENT TRUSTS (2) Abtrust Preferred Zero Div Pf, Johnson Fry Euro Zero Pf, LEISURE & HOTELS (1) London Clubs, OIL EXPLORATION & PROD (2) Crusader, Global Natural Res, SUPPORT SERVS (1) Business Post, TEXTILES & APPAREL (1) Chamberlain Phipps, AMERICANS (1) Inspirations.

NEW LOWS (83).

BREWERIES (1) Young Brew A, BUILDING & CNSTRN (1) BB & EA, BLDG MATLS & MCHTS (5) Haywood Williams, Do. Prf., Litesfall, Meyer Intl., Ramus, CHEMICALS (2) Wardle Storeys, Yorkshire, DISTRIBUTORS (4) Diploma, Headlam, Lex Service, Young (H.), DIVERSIFIED INDLS (1) Widney, ELECTRNC & ELECT EQUP (3) CML Micro, Chloride, Silverminee, ENGINEERING (6) Billam (J.), Clyde Blowers, Locker (T.) A, EXTRACTIVE INDS (1) Rockwood, INSURANCE (1) JIB, INVESTMENT TRUSTS (16) LEISURE & HOTELS (3) Crockfords, Prism Leisure, MEDIA (3) Gold Greenlees Trott, Sunset & Vine, VTR, MERCHANT BANKS (1) Barings 8pc 2nd Prf, OIL EXPLORATION & PROD (1) Copley Res, OTHER FINANCIAL (3) Govett & Co., PRTNG, PAPER & PACKG (3) AG, Cropper (J.), Plysu, PROPERTY (5) Bilkby, Brit Land 6pc Bd, Do. 8¾pc Prf, HK Land Hldgs., Prop. Partnership, RETAILERS, FOOD (1) Dairy Farm, RETAILERS, GENERAL (2) Boots, Upton & Southern, SPIRITS, WINES & CIDERS (1) Merrydown, SUPPORT SERVS (2) OIS Intl. Inspection, Oxford Molecular, TEXTILES & APPAREL (2) Courtaulds Textiles, Readicut, TRANSPORT (1) United Carriers, CANADIANS (1) BC Gas.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures moved higher, but activity was low and there was little real attempt to lead the cash market in spite of the *development of a comfortable* premium during the afternoon session, *writes Jeffrey Brown.*

The FT-SE 100 December *contract had reached 3,055 at the close of pit trading, up* 19 points. The premium to cash equities was *around nine* points, or a full four points above fair value.

The steadiness of the premium over the cash market was no real guide to trading volume, with contract numbers again falling short of 10,000 in a day that could do little more than consolidate ahead of today's Budget statement.

There was a small amount of two-way trade during the morning, which pushed tha premium to cash equities down to around two points, but this fizzled out around midday.

Wall Street opened strongly, but in the thin conditions the December Footsie future could only drift upwards, with most traders deciding to call an early halt to proceedings. At the 4.10pm official close it was 11 points *under* its best for tha day.

Traded options volume was also flat, dipping to 17,732 lots, *from* 21,025 on Friday. Call and put volume was fairly *evenly matched*, while FT-SE and Euro FT-SE trades accounted for just over 10,000 contracts.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3048.0	3055.0	+20.0	3060.0	3042.0	10307	49225
Mar	3064.5	3068.5	+20.0	3065.0	3064.5	168	10394
Jun		3091.0	+20.0			0	145

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Dec	3470.0	3490.0	+15.0	3470.0	3470.0	200	2853
Mar	3507.0	3525.0	+13.0	3520.0	3507.0	243	2504

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Dec		3485.0	-			-	287

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3047) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,800	235	+2
ASDA Group†	3,100	65	
Abbey National†	2,400	412	+5
Albert Fisher	4,100	45	+1
Allied Domecq†	1,800	563	+10
Anglian Water	482	482	+6
Argos	798	343	
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

FT - SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	57	3	18
Other Fixed Interest	9	4	1
Mineral Extraction	54	53	89
General Manufacturers	143	84	402
Consumer Goods	48	29	110
Services	100	62	329
Utilities	25	7	11
Financials	85	83	196
Investment Trusts	127	30	308
Others	*61*	25	28
Totals	709	380	1484

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	November 21	Last Declarations	February 23
Last Dealings	December 2	For settlement	March 6

Calls: Aminex, Bula Res., Celluna, Kunick, NHL(Pref.), Proteus, Signet, Spring Ram, Videologic Put: Aminex

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

FT GOLD MINES INDEX

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£22¼	-⅜	£25½	£19¾	6,745	5.0	ϕ
ANZ A$		184	-3	279¼	171	2,582	6.3	ϕ
Abbey National	†N□	412	+5	523	380½	5,405	4.7	13.8
Allied Irish £	♣†N□	249	+1	314	233	1,868	5.1	9.5
Anglo Irish £	N□	64xd	+1	*78	60	186.6	8.2	ϕ
Argentaria Y	□	675	-1½	819¼	628	19,063	0.7	ϕ
Banco Bil Viz Pts	□	£16⅝	—	£16⅝	£14½	2,879	0.6	7.6
Banco Sant Pts		£24⅝	—	*£30½	£23¼	3,721	8.3	0.6
Bk Ireland £	♣†N□	380xd	+4	*389	246	1,371	5.0	8.4
Bank Scotland	♣†N□	206xd	+3	247	172½	2,304	3.2	11.6
9¼pc Pf		105¼xd	+½	141½	105	105.2	10.6	–
9¾pc Pf		114½xd	+½	148½	111¼	114.5	10.6	–
Barclays	♣†N□	597	+10	649	487	9,731	4.6	18.4
Dai Ichi Kan Y	□	£10⅝	+⅛	£12⅞	£10⅛	33,817	0.6	–
Deutsche DM	□	£29⅝	+⅜	£344¼	£270⅞	14,451	2.2	–
Espirito Santo	□	£9⅝	—	*£13⅛	£7⅝	164.7	4.4	4.3
First Nat Fin	N□	64	—	*98	60	106.0	2.9	–
6.3pc Cv Pf		72	—	*90	70	4.84	10.9	–
7pc Cv Pf		118	—	171	116	56.5	7.4	–
Fuji Bank Y	□	1287	+10½	1549¼	1152½	36,707	3.4	ϕ
HSBC HK	†N□	715	+1	1133	680	12,942	4.5	10.4
HSBC (75p Shs)	†N□	717	+2	1113	660	6,104	4.3	10.4
Lloyds	†N□	557	+3	600	519	7,264	5.1	11.2
Mitsubishi Y	□	£14⅛	-⅛	£16⅝	£13⅜	40,745	0.4	ϕ
Mits Tst & Bk Y	□	849¼	+1½	1162¼	697½	16,109	9.3	13.1
Mitsui Tst & Bk Y	□	629¼	+4½	879	514	7,634	0.9	20.7
Nat Aust A$		522	-2	620¼	472	6,987	0.9	ϕ

[illegible]

CHEMICALS

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

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IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

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JERSEY (REGULATED)(**)

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LUXEMBOURG (SIB RECOGNISED)

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LUXEMBOURG (REGULATED)(**)

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

CURRENCIES AND MONEY

MARKETS REPORT

Markets give sterling the benefit of the doubt

The pound traded steadily yesterday ahead of the important parliamentary vote last night on the EU Finance bill, and the budget today, *writes Philip Gawith.*

Markets appeared to take the view that Mr John Major, the prime minister, would weather his current difficulties. Sterling closed in London at DM2.4453, from DM2.4366 on Friday, and $1.5632, from $1.5631.

Market activity was generally very subdued, with UK investors sidelined ahead of the budget, and a preponderance of US data at the end of the week.

One market theme was the reversal of last week's shift from bonds into equities. Yesterday equities were firmer, while interest rate markets lost ground. The longer dated contracts of eurodollar interest rate futures lost 10-15 basis points.

The dollar finished half a pfennig firmer at DM1.5643, from DM1.5591, and at Y98.575, from Y98.765.

In Norway the krone firmed as opinion polls indicated a possible "Yes" vote in the referendum on EU membership. It finished at NKr4.36/DM, up from NKr4.384 on Friday.

The lira benefited from talk of it possibly re-entering the Exchange Rate Mechanism, to finish at L1,031 from L1,038, against the D-Mark.

In Israel, the shekel weakened against the dollar, but rose against other currencies, when short term interest rates rose by 1.5 percentage points to 16.3 per cent. The shekel closed the daily tender at Shk3.053 against the dollar, from Shk3.049. The basket of foreign currencies traded at Shk3.3965 per basket, from Shk3.3984 on Friday.

■ **Pound in New York**

Nov 28	Latest	Prev. close
£ spot	1.5640	1.5630
1 mth	1.5639	1.5629
3 mth	1.5637	1.5628
1 yr	1.5610	1.5583

■ Most of the movement in sterling occurred during Asian trading, but traders said it was significant that there had been no attempt to sell pounds during European trading.

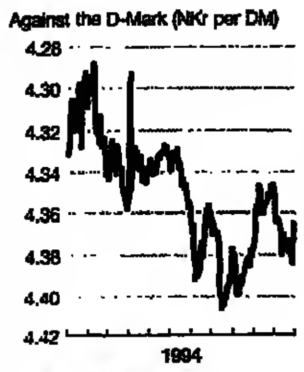
Mr David Cocker, economist at Chemical Bank, commented: "Sterling/D-Mark recovered well thanks to the perception that Major is going to win the vote. The market has taken the view that he will still be the prime minister at the end of this week."

He said if politics were removed from the equation, sterling had the potential to improve another 2-3 pfennigs. Mr Cocker predicted that sterling would probably benefit today from a rally in gilts assuming, as widely predicted, that the budget will reveal a sharp fall in the public sector borrowing requirement.

■ Analysts said the reversal of fortune in equity and bond markets reflected a re-appraisal of the likelihood of another interest rate rise in the US this year.

Norwegian krone

Against the D-Mark (NKr per DM)



Source: Datastream

Mr Cocker said that while underlying sentiment towards the dollar had clearly improved, he found it difficult to predict it moving much higher at the moment. "The interbank market is sitting a little bit long of dollars, and there does not seem to be a desire on the part of external buyers to buy dollars."

He said the dollar was likely to trade in a fairly narrow range ahead of the jobs report on Friday. "In employment week, you rarely see the dollar do much in the first few days, unless other factors come into place.

In the longer term, many analysts are bullish about the dollar. Goldman Sachs concluded a recent review, saying: "Current interest rate differentials are probably wide enough to support the dollar against the yen and D-Mark. And, the dollar is likely gradually to appreciate further as Federal Reserve officials tighten monetary policy further over the next several months."

"We continue to forecast a yen/$ exchange rate of 103 and a DM/$ rate of 1.57 on a six-month time horizon," said Goldman Sachs.

Mr Mike Rosenberg, manager of international fixed income research at Merrill Lynch, takes a more cautious view. He argues that the Fed is still "behind the curve" in combatting inflation, "and as long as that remains the case, the dollar is still at risk of moving lower again."

He adds, though, that the recent rise in US rates has bought the Fed some time. "If the Fed uses that time wisely, and gets back on the curve, the dollar will eventually bottom and ultimately move higher. Until then, it is too early to be talking about a fundamental turn in the dollar's value."

■ In its daily money market operations, the Bank of England cleared a £250m shortage at established rates. Three month LIBOR eased to 6 1/16 per cent from 6⅛ per cent.

■ **OTHER CURRENCIES**

Nov 28	£	$
Hungary	171.814 - 172.058	109.940 - 110.040
Iran	2753.09 - 2756.66	1748.08 - 1759.00
Kuwait	0.4677 - 0.4686	0.2993 - 0.2996
Poland	37387.8 - 37448.2	23930.0 - 23950.0
Russia	5067.60 - 5072.38	3242.00 - 3245.00
U.A.E.	5.7362 - 5.7477	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Nov 28		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.2108	+0.0586	025 - 191	17.2289	17.1784	17.2065	0.3	17.1946	0.4	-	-	115.2
Belgium	(BFr)	50.2569	+0.1455	362 - 776	50.3530	50.1080	50.2269	0.7	50.1419	0.9	49.6519	1.2	116.9
Denmark	(DKr)	9.5793	+0.0362	746 - 841	9.5865	9.5365	9.5775	0.2	9.5842	-0.2	9.5712	0.1	116.9
Finland	(FM)	7.5663	+0.0507	571 - 755	7.5755	7.4900	-	-	-	-	-	-	87.8
France	(FFr)	8.3928	+0.0212	891 - 965	8.4022	8.3684	8.3915	0.2	8.3828	0.5	8.31	1.0	108.9
Germany	(DM)	2.4453	+0.0087	442 - 463	2.4472	2.4399	2.4442	0.5	2.4403	0.8	2.4068	1.8	126.1
Greece	(Dr)	376.771	+1.115	635 - 906	376.906	374.908	-	-	-	-	-	-	-
Ireland	(I£)	1.0151	+0.0008	143 - 159	1.0183	1.0134	1.0149	0.2	1.0146	0.2	1.0163	-0.1	104.9
Italy	(L)	2522.54	-5.7	111 - 396	2533.26	2521.11	2528.94	-3.0	2539.94	-2.8	2590.49	-2.7	73.7
Luxembourg	(LFr)	50.2569	+0.1455	362 - 776	50.3530	50.1080	50.2269	0.7	50.1418	0.9	49.6518	1.2	116.9
Netherlands	(Fl)	2.7383	+0.0088	368 - 397	2.7421	2.7303	2.737	0.5	2.7328	0.8	2.6988	1.4	120.9
Norway	(NKr)	10.6697	-0.0122	611 - 783	10.7237	10.6340	10.6694	0.0	10.6727	-0.1	10.6718	0.9	86.1
Portugal	(Es)	250.112	+1.337	970 - 254	250.254	248.511	251.842	-8.3	255.022	-7.8	-	-	-
Spain	(Pta)	204.115	+0.676	024 - 206	204.380	203.734	204.45	-2.0	205.09	-1.9	207.785	-1.8	85.4
Sweden	(SKr)	11.7514	+0.0773	405 - 622	11.7622	11.6380	11.7689	-1.9	11.8079	-1.9	11.9699	-1.9	75.3
Switzerland	(SFr)	2.0739	+0.0096	729 - 749	2.0752	2.0691	2.0706	1.9	2.0631	2.1	2.0198	2.6	120.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	78.9
Ecu	-	1.2830	+0.0029	824 - 835	1.2850	1.2793	1.283	0.0	1.2824	0.2	1.2749	0.8	-
SDR†	-	0.931788	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5633	-	628 - 638	1.5650	1.5610	-	-	-	-	-	-	-
Brazil	(R)	1.3358	-0.0089	346 - 369	1.3489	1.3295	-	-	-	-	-	-	-
Canada	(C$)	2.1536	+0.0026	526 - 545	2.1545	2.1443	2.1539	-0.1	2.1526	0.2	2.1525	0.1	86.0
Mexico	(New Peso)	5.3899	+0.0028	862 - 936	5.3936	5.3760	-	-	-	-	-	-	-
USA	($)	1.5632	+0.0001	628 - 636	1.5638	1.5585	1.5632	0.0	1.5629	0.1	1.5585	0.3	62.9
Pacific/Middle East/Africa													
Australia	(A$)	2.0505	-0.0088	493 - 517	2.0544	2.0440	2.0526	-1.2	2.0553	-0.9	2.0692	-0.9	-
Hong Kong	(HK$)	12.0871	+0.0021	838 - 905	12.0905	12.0593	12.078	0.9	12.0737	0.4	12.0285	0.5	-
India	(Rs)	49.0415	+0.0008	250 - 580	49.0580	48.9370	-	-	-	-	-	-	-
Japan	(Y)	154.093	-0.282	014 - 171	154.520	153.920	153.673	3.3	152.698	3.6	147.513	4.3	191.1
Malaysia	(M$)	3.9884	+0.0017	965 - 002	3.9992	3.9894	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5086	-0.0115	069 - 102	2.5186	2.5064	2.5133	-2.2	2.5225	-2.2	2.5424	-1.3	-
Philippines	(Peso)	37.3762	+0.2537	884 - 639	37.5600	36.7200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8632	+0.0004	613 - 651	5.8648	5.8495	-	-	-	-	-	-	-
Singapore	(S$)	2.2886	-0.0019	872 - 899	2.2926	2.2850	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5427	+0.0145	401 - 453	5.5416	5.5228	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5576	+0.0209	403 - 749	6.5492	6.5353	-	-	-	-	-	-	-
South Korea	(Won)	1241.97	-0.42	149 - 244	1242.27	1239.16	-	-	-	-	-	-	-
Taiwan	(T$)	41.0903	+0.0993	743 - 063	41.0979	40.9985	-	-	-	-	-	-	-
Thailand	(Bt)	39.1426	+0.0531	169 - 682	39.1520	39.0650	-	-	-	-	-	-	-

†SDR rates for Nov 25. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. *Correction for 25.11.94; Japan Closing mid-point 154.375, Bid/Offer spread 311-438

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 28		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	11.0100	+0.0385	075 - 125	11.0300	10.9970	11.0025	0.8	10.988	0.9	10.8885	1.1	104.5
Belgium	(BFr)	32.1500	+0.09	450 - 550	32.2480	32.1000	32.1325	0.7	32.085	0.8	31.86	0.9	108.0
Denmark	(DKr)	6.1280	+0.0226	265 - 295	6.1373	6.1022	6.1273	0.1	6.1305	-0.2	6.1345	-0.1	105.3
Finland	(FM)	4.8403	+0.032	356 - 449	4.8449	4.8246	4.8375	0.7	4.8316	0.7	4.8248	0.3	82.3
France	(FFr)	5.3690	+0.0131	680 - 700	5.3800	5.3580	5.3682	0.2	5.3638	0.4	5.332	0.7	108.2
Germany	(D)	1.5643	+0.0054	640 - 645	1.5671	1.5617	1.5636	0.5	1.5614	0.7	1.5443	1.3	107.1
Greece	(Dr)	241.025	+0.69	000 - 050	241.390	240.080	243.725	-13.4	249.075	-13.4	269.775	-11.9	68.5
Ireland	(I£)	1.5400	-0.0012	392 - 407	1.5410	1.5330	1.5403	-0.2	1.5408	-0.2	1.5363	0.2	-
Italy	(L)	1613.70	-3.8	320 - 420	1621.50	1616.90	1617.45	-2.8	1625	-2.8	1661.2	-2.9	73.8
Luxembourg	(LFr)	32.1500	+0.09	450 - 550	32.2480	32.1000	32.1325	0.7	32.085	0.8	31.86	0.9	106.0
Netherlands	(Fl)	1.7517	+0.0054	512 - 522	1.7557	1.7512	1.7509	0.5	1.7486	0.7	1.7317	1.1	105.8
Norway	(NKr)	6.8256	-0.0084	218 - 293	6.8880	6.8218	6.8329	-1.3	6.8448	-1.1	6.8528	-0.4	95.3
Portugal	(Es)	160.000	+0.84	950 - 050	160.050	159.770	160.575	-4.3	161.7	-4.3	165.25	-3.3	95.3
Spain	(Pta)	130.575	+0.42	550 - 600	130.870	130.370	130.79	-2.0	131.23	-2.0	133.325	-2.1	80.6
Sweden	(SKr)	7.5175	+0.0487	125 - 225	7.5220	7.4450	7.5287	-1.8	7.553	-1.9	7.6715	-2.9	81.1
Switzerland	(SFr)	1.3267	+0.006	264 - 270	1.3295	1.3242	1.3246	1.8	1.3201	2.0	1.296	2.3	108.3
UK	(£)	1.5632	+0.0001	628 - 636	1.5638	1.5595	1.5632	0.0	1.5629	0.1	1.5585	0.3	88.1
Ecu	-	1.2185	-0.0026	182 - 187	1.2205	1.2155	1.2185	0.0	1.2188	-0.1	1.2225	-0.3	-
SDR†	-	1.46738	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	-0.0001	000 - 001	1.0002	1.0000	-	-	-	-	-	-	-
Brazil	(R)	0.8545	-0.0045	540 - 550	0.8630	0.8520	-	-	-	-	-	-	-
Canada	(C$)	1.3777	+0.0015	774 - 779	1.3779	1.3745	1.3774	0.2	1.377	0.2	1.3812	-0.3	80.6
Mexico	(New Peso)	3.4480	+0.0015	465 - 495	3.4550	3.4390	3.449	-0.3	3.4506	-0.3	3.4582	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3116	-0.0043	113 - 122	1.3146	1.3098	1.3128	-0.7	1.3144	-0.8	1.3271	-1.2	89.3
Hong Kong	(HK$)	7.7323	+0.0006	320 - 325	7.7325	7.7320	7.7302	0.3	7.729	0.2	7.7368	-0.1	-
India	(Rs)	31.3725	-0.0025	700 - 750	31.3750	31.3700	31.4425	-2.7	31.5875	-2.7	-	-	-
Japan	(Y)	98.5750	-0.19	500 - 000	98.9500	98.4800	98.305	3.3	97.705	3.5	94.65	4.0	150.9
Malaysia	(M$)	2.5578	+0.0008	573 - 583	2.5585	2.5573	2.5548	1.4	2.5503	1.2	2.5783	-0.8	-
New Zealand	(NZ$)	1.6048	-0.0075	041 - 054	1.6103	1.6041	1.6058	-0.7	1.6082	-0.8	1.6172	-0.8	-
Philippines	(Peso)	23.9100	+0.16	600 - 600	24.0000	23.5000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7508	-0.0001	505 - 510	3.7510	3.7505	3.7544	-1.1	3.7613	-1.1	3.7758	-0.7	-
Singapore	(S$)	1.4640	-0.0014	635 - 645	1.4679	1.4635	1.4625	1.3	1.459	1.4	1.4425	1.5	-
S Africa (Com.)	(R)	3.5458	+0.009	450 - 465	3.5465	3.5380	3.5613	-5.2	3.5934	-5.4	3.7583	-6.0	-
S Africa (Fin.)	(R)	4.1950	+0.013	850 - 050	4.2050	4.1850	4.223	-8.0	4.2675	-6.9	4.505	-7.4	-
South Korea	(Won)	794.500	-0.35	400 - 600	794.800	794.400	797.5	-4.5	801	-3.3	819.5	-3.1	-
Taiwan	(T$)	26.2860	+0.061	825 - 895	26.3100	26.2825	26.306	-0.9	26.346	-0.9	-	-	-
Thailand	(Bt)	25.0400	+0.005	300 - 500	25.0500	25.0300	25.0695	-1.4	25.1605	-1.9	25.565	-2.1	-

†SDR rate for Nov 25. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 24. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 28		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.06	16.70	4.866	2.020	5019	5.449	21.21	497.7	406.2	23.38	4.125	1.990	4.285	3.110	306.5	2.553
Denmark	(DKr)	52.46	10	8.761	2.552	1.060	2633	2.858	11.13	261.1	213.1	12.27	2.164	1.044	2.248	1.632	160.8	1.339
France	(FFr)	59.88	11.41	10	2.913	1.209	3005	3.263	12.70	298.0	243.2	14.00	2.470	1.192	2.566	1.862	183.5	1.529
Germany	(DM)	20.55	3.916	3.432	1	0.415	1031	1.120	4.360	102.3	83.48	4.806	0.848	0.409	0.881	0.639	62.99	0.525
Ireland	(I£)	49.51	9.437	8.268	2.409	1	2485	2.698	10.50	246.4	201.1	11.58	2.042	0.985	2.121	1.540	151.7	1.264
Italy	(L)	1.992	0.380	0.333	0.097	0.040	100.	0.109	0.423	9.917	8.093	0.466	0.082	0.040	0.085	0.062	6.106	0.051
Netherlands	(Fl)	18.35	3.499	3.065	0.893	0.371	921.1	1	3.893	91.34	74.54	4.291	0.757	0.365	0.786	0.571	56.25	0.469
Norway	(NKr)	47.14	8.986	7.872	2.294	0.952	2366	2.569	10	234.6	191.5	11.02	1.945	0.938	2.020	1.466	144.5	1.204
Portugal	(Es)	20.09	3.830	3.355	0.978	0.406	1008	1.095	4.262	100.	81.61	4.698	0.829	0.400	0.861	0.625	61.58	0.513
Spain	(Pta)	24.62	4.693	4.112	1.198	0.497	1236	1.341	5.223	122.5	100.	5.757	1.016	0.490	1.055	0.766	75.45	0.629
Sweden	(SKr)	42.77	8.152	7.142	2.081	0.864	2146	2.330	9.072	212.8	173.7	10	1.764	0.851	1.832	1.330	131.1	1.092
Switzerland	(SFr)	24.24	4.621	4.048	1.179	0.490	1217	1.321	5.142	120.6	98.46	5.668	1	0.482	1.039	0.754	74.29	0.619
UK	(£)	50.25	9.579	8.392	2.445	1.015	2522	2.738	10.66	250.1	204.1	11.75	2.073	1	2.153	1.563	154.0	1.283
Canada	(C$)	23.34	4.449	3.898	1.136	0.471	1171	1.272	4.951	116.2	94.80	5.458	0.963	0.464	1	0.726	71.53	0.596
US	($)	32.15	6.129	5.369	1.564	0.649	1614	1.752	6.820	160.0	130.6	7.516	1.326	0.640	1.377	1	98.53	0.821
Japan	(Y)	32.63	6.220	5.449	1.588	0.659	1638	1.778	6.922	162.4	132.5	7.630	1.346	0.649	1.398	1.015	100.	0.833
Ecu		39.17	7.466	6.541	1.906	0.791	1966	2.134	8.309	194.9	159.1	9.158	1.618	0.779	1.678	1.218	120.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6398	0.6396	-0.0020	0.6403	0.6384	12,671	97,336
Mar	0.6400	0.6407	-0.0023	0.6408	0.6396	987	8,310
Jun	0.6426	0.6426	-0.0025	0.6426	0.6426	2	1,336

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0142	1.0165	+0.0021	1.0166	1.0123	15,918	73,600
Mar	1.0225	1.0252	+0.0019	1.0252	1.0222	801	10,354
Jun	1.0350	1.0363	+0.0021	1.0363	1.0350	192	911

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7557	0.7550	-0.0031	0.7562	0.7528	5,394	55,567
Mar	0.7589	0.7584	-0.0031	0.7589	0.7571	316	3,900
Jun	0.7622	0.7628	-0.0033	0.7628	0.7622	1	304

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5608	1.5626	+0.0002	1.5628	1.5600	8,438	48,827
Mar	1.5600	1.5614	-	1.5620	1.5598	795	2,875
Jun	-	1.5620	-	1.5620	1.5600	65	122

UK INTEREST RATES

LONDON MONEY RATES

Nov 28	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 3/16 - 3½	5⅜ - 4 13/16	6 1/16 - 5⅞	6 1/16 - 6 13/16	6⅝ - 6 9/16	7 5/16 - 7⅛
Sterling CDs	-	-	5½ - 5⅞	5 15/16 - 5⅞	6 7/16 - 6 5/16	7⅛ - 7
Treasury Bills	-	-	5⅞ - 5¾	5 15/16 - 5¾	-	-
Bank Bills	-	-	5 31/32 - 5 13/16	5 15/16 - 5⅞	6⅜ - 6¼	-
Local authority deps.	4 13/16 - 4 5/16	5 1/16 - 4 13/16	5⅝ - 5⅞	6 - 5⅞	6 7/16 - 6 5/16	7 3/16 - 7 1/16
Discount Market deps	4¾ - 4	5 - 4⅞	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¼	3¼	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.7182pc. ECGD fixed rate Stlg. Export Finance. Make up day Oct 31, 1994. Agreed rate for period Nov 26, 1994 to Dec 25, 1994, Schemes II & III 7.23pc. Reference rate for period Oct 1, 1994 to Oct 31, 1994, Schemes IV & V 5.986pc. Finance House Base Rate 6pc from Nov 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.70	93.72	+0.01	93.74	93.70	9955	128601
Mar	92.98	93.01	+0.02	93.03	92.96	12221	92496
Jun	92.37	92.41	+0.02	92.43	92.37	2606	55749
Sep	91.91	91.96	+0.04	91.97	91.91	1631	64429

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.26	0.08	0.09	0.04	0.57	1.10
9375	0.10	0.03	0.05	0.13	0.77	1.39
9400	0.02	0.01	0.03	0.30	1.00	1.62

Est. vol. total, Calls 5669 Puts 2868. Previous day's open int., Calls 343283 Puts 244090

EMS EUROPEAN CURRENCY UNIT RATES

Nov 28	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14340	+0.00159	-2.43	9.10	-
Belgium	40.2123	39.3617	+0.021	-2.12	5.85	16
Germany	1.94964	1.91294	+0.00142	-1.88	5.60	-
Ireland	0.808628	0.794033	-0.002036	-1.80	5.51	12
France	6.53883	6.56914	+0.00091	0.46	3.13	-4
Denmark	7.43679	7.49170	+0.00329	0.74	2.85	-5
Portugal	192.854	195.510	+0.224	1.38	2.20	-9
Spain	154.250	159.817	+0.246	3.61	0.00	-25
NON ERM MEMBERS						
Greece	264.513	294.707	-0.008	11.41	-7.01	-
Italy	1793.16	1978.94	-3.66	10.36	-6.12	-
UK	0.786749	0.782391	-0.002175	-0.55	4.19	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	PUTS Dec	PUTS Jan	PUTS Feb
1.525	3.74	4.22	4.89	0.10	0.61	1.10
1.550	1.80	2.51	3.09	0.00	1.37	1.97
1.575	0.58	1.34	1.94	1.87	2.59	5.19
1.600	0.11	0.62	1.12	3.84	4.35	4.83
1.625	-	0.23	0.59	6.21	6.44	6.77
1.650	-	0.06	0.27	8.62	8.70	8.88

Previous day's vol., Calls 3,043 Puts 4,610. Prev. day's open int., Calls 392,168 Puts 351,805

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	93.93	93.89	-0.05	93.93	93.89	37,926	377,089
Mar	93.40	93.29	-0.11	93.40	93.29	51,970	461,383
Jun	92.81	92.69	-0.15	92.81	92.69	36,923	319,269

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.56	94.52	-0.08	94.57	94.52	1,686	11,782
Mar	94.01	93.93	-0.10	94.01	93.93	612	11,230
Jun	93.43	93.36	-0.13	93.43	93.38	16	1,696

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
9475	0.09	0.08	0.11	0.13	0.03	0.13	0.16	0.18
9500	0.02	0.02	0.03	0.05	0.21	0.32	0.33	0.35
9525	0	0	0.01	0.01	0.44	0.55	0.56	0.56

Est. vol. total, Calls 5376 Puts 3486. Previous day's open int., Calls 221076 Puts 203074

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9575	0.25	0.17	0.12	0.01	0.17	0.42
9600	0.08	0.07	0.06	0.07	0.32	0.60
9625	0.01	0.03	0.02	0.27	0.53	0.82

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2516 Puts 1515

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk.	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75	● Members of London Investment Banking Association	
Brit Bk of Mid East	5.75	Hongkong & Shanghai.	5.75	* In administration	
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75		
Citibank NA	5.75	Lloyds Bank	5.75		
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	*Mount Banking	5		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

WORLD INTEREST RATES

MONEY RATES

November 28	Over night	One month	Three mths	Six mths	One year	[illegible]	[illegible]	[illegible]
Belgium	4¾	5	5⅛	5¼	6	7.40	4.50	[illegible]
week ago	4¾	5	5⅛	5½	[illegible]	7.40	4.50	[illegible]
France	5⅜	5⅜	5⅜	5⅝	[illegible]	5.00	-	[illegible]
week ago	5⅜	5⅜	5⅝	5⅝	[illegible]	5.00	-	[illegible]
Germany	4.93	4.95	5.15	5.25	5.55	6.00	4.50	[illegible]
week ago	4.95	4.95	5.16	5.25	5.60	6.00	4.50	[illegible]
Ireland	5⅛	5⅝	5¾	6½	7¼	-	-	[illegible]
week ago	5⅛	5⅝	5⅝	6¼	7¼	-	-	[illegible]
Italy	8⅝	8⅞	8⅝	8⅞	10	-	7.50	[illegible]
week ago	8⅝	8⅞	8⅝	9	[illegible]	-	7.50	[illegible]
Netherlands	4.86	5.04	5.20	5.36	5.72	-	5.25	[illegible]
week ago	4.84	5.04	5.24	5.37	5.76	-	5.25	[illegible]
Switzerland	3¾	3⅞	3⅞	4⅛	4½	6.625	3.50	[illegible]
week ago	3	3⅞	3⅞	4⅛	4½	6.625	3.50	[illegible]
US	5½	5⅞	5⅞	6⅜	[illegible]	-	4.75	[illegible]
week ago	5⅞	5⅝	5⅞	6⅛	[illegible]	-	4.75	[illegible]
Japan	2¼	2¼	2¼	2⅜	[illegible]	-	1.75	[illegible]
week ago	2¼	2¼	2⅛	2¼	[illegible]	-	1.75	[illegible]
■ $ LIBOR FT London								
Interbank Fixing	-	5⅝	6	6¼	[illegible]	-	-	-
week ago	-	5⅝	6	6⅜	[illegible]	-	-	-
US Dollar CDs	-	5.47	5.74	6.10	6.73	-	-	-
week ago	-	5.47	5.74	6.09	6.74	-	-	-
SDR Linked Ds	-	3⅝	3⅞	3⅞	4	-	-	-
week ago	-	3⅝	3⅞	3⅞	4	-	-	-

ECU Linked Ds mid rates: 1 mth 5⅞; 3 mths 5⅞; 6 mths 5⅞; 1 year [illegible] rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 28	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4⅝ - 4½	4⅞ - 4⅞	5 - 4⅞	5⅜ - 5¼	[illegible]	[illegible]
Danish Krone	5⅞ - 5½	5⅞ - 5½	5⅞ - 5⅝	6⅛ - 5	[illegible]	[illegible]
D-Mark	5⅞ - 5⅛	5⅛ - 5	5⅛ - 4⅞	5⅛ - 5⅛	[illegible]	[illegible]
Dutch Guilder	5⅛ - 4⅞	5⅛ - 4⅞	5⅛ - 5	5⅛ - 5⅛	[illegible]	[illegible]
French Franc	5⅜ - 5⅞	5⅞ - 5⅝	5⅝ - 5½	5⅞ - 5⅝	[illegible]	[illegible]
Portuguese Esc.	6 - 8⅞	0 - 8⅞	9⅞ - 9⅞	10⅛ - 9⅞	[illegible]	[illegible]
Spanish Peseta	7½ - 7⅞	7½ - 7⅜	7½ - 7⅜	7⅞ - 7⅞	[illegible]	[illegible]
Sterling	5 - 4⅞	5⅝ - 5	5⅞ - 5⅞	6⅛ - 6	[illegible]	[illegible]
Swiss Franc	3⅜ - 3⅞	3⅞ - 3½	3⅞ - 3½	3⅞ - 3⅞	[illegible]	[illegible]
Can. Dollar	5⅜ - 5⅛	5⅛ - 5⅞	5⅞ - 5⅜	5⅞ - 5⅞	[illegible]	[illegible]
US Dollar	5⅜ - 5⅞	5⅞ - 5⅞	5⅞ - 5½	5⅞ - 5⅞	[illegible]	[illegible]
Italian Lira	9 - 7½	8⅞ - 8⅞	8⅞ - 8⅞	8⅞ - 8⅞	[illegible]	[illegible]
Yen	2⅜ - 2¼	2⅜ - 2¼	2⅜ - 2¼	2⅜ - 2¼	[illegible]	[illegible]
Asian $Sing	4 - 3⅞	4⅛ - 4	4⅛ - 4⅛	4⅛ - 4⅛	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.39	94.39	+0.01	94.40	94.37	[illegible]	[illegible]
Mar	94.12	94.11	-0.01	94.16	94.10	[illegible]	[illegible]
Jun	93.73	93.71	-0.01	93.78	93.70	[illegible]	[illegible]
Sep	93.36	93.36	+0.01	93.41	93.36	[illegible]	[illegible]

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	93.90	-0.04	-	-	[illegible]	2627
Mar	-	93.31	-0.08	-	-	[illegible]	1465
Jun	-	92.71	-0.13	-	-	0	367
Sep	-	92.31	-0.14	-	-	0	177

■ **THREE MONTH EUROMARK FUTURES** (LIFFE) DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.82	94.81	-0.02	94.83	94.80	9864	[illegible]
Mar	94.73	94.70	-0.03	94.73	94.68	17017	[illegible]
Jun	94.41	94.39	-0.04	94.43	94.37	15684	[illegible]
Sep	94.07	94.05	-0.04	94.09	94.03	10671	[illegible]

■ **THREE MONTH EUROLIRA INT. RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.92	91.12	+0.21	91.15	90.92	6686	[illegible]
Mar	90.21	90.41	+0.20	90.44	90.21	6146	[illegible]
Jun	89.74	89.90	+0.25	89.94	89.74	2864	[illegible]
Sep	89.40	89.51	+0.21	89.56	89.40	[illegible]	[illegible]

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.99	95.99	-	96.00	95.98	1004	[illegible]
Mar	95.75	95.75	-	95.77	95.73	1908	[illegible]
Jun	95.46	95.45	-	95.46	95.45	240	[illegible]
Sep	95.12	95.11	-0.01	95.12	95.11	105	[illegible]

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.08	94.09	-	94.11	94.08	477	7585
Mar	93.85	93.82	-	93.85	93.81	812	8061
Jun	93.36	93.34	-	93.36	93.33	160	4060
Sep	92.86	92.85	-0.01	92.86	92.85	161	2647

* LIFFE futures traded on APT

هكذا من الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 28 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Nov 28 / Frs.)

[illegible]

DENMARK (Nov 28 / Kr)

[illegible]

FINLAND (Nov 28 / Mkn)

[illegible]

FRANCE (Nov 28 / Frs.)

[illegible]

GERMANY (Nov 28 / Dm.)

[illegible]

ITALY (Nov 28 / Lire)

[illegible]

NETHERLANDS (Nov 28 / Frs.)

[illegible]

NORWAY (Nov 28 / Kroner)

[illegible]

SPAIN (Nov 28 / Pts.)

[illegible]

SWEDEN (Nov 28 / Kronor)

[illegible]

SWITZERLAND (Nov 28 / Frs.)

[illegible]

PACIFIC

JAPAN (Nov 28 / Yen)

[illegible]

AUSTRALIA (Nov 28 / AustS)

[illegible]

HONG KONG (Nov 28 / H.K.$)

[illegible]

MALAYSIA (Nov 28 / MYR)

[illegible]

SINGAPORE (Nov 28 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Nov 28 / Can $) 4 pm close

[illegible]

MONTREAL (Nov 28 / Can $) 4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Nov 28 / Rand)

[illegible]

Prices Supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). § Dealings suspended, xd Ex dividend, xc Ex scrip issue, xr Ex rights, xa Ex all.

■ TOKYO – MOST ACTIVE STOCKS: Monday, November 28, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Hvy	3.7m	726	+1	Sumitomo Mt Ind	2.6m	323	-2
Nippon Steel	3.6m	376	+3	Kawasaki Steel	2.4m	420	+4
Ashimori Ind	3.0m	849	-30	Mitsui Eng & Shp	1.9m	309	-1
JAL	2.9m	881	-29	Oki Elect	1.8m	693	+14
Nippon Soda	2.8m	587	+17	NEC	1.7m	1,150	+10

INDICES

	Nov 28	Nov 25	Nov 24	1994 High		1994 Low	
Argentina							
General (29/12/77)	(u)	16891.5†	17137.64	25470.40	16/2	16891.58	25/11
Australia							
All Ordinaries(1/1/80)	1911.6	1910.0	1895.7	2340.60	3/2	1857.10	23/11
All Mining(1/1/80)	860.6	858.4	844.4	1136.10	3/2	804.60	5/5
Austria							
Credit Aktien(30/12/84)	388.14	387.18	384.75	480.86	2/2	376.94	25/10
Traded Index(2/1/91)	1032.87	1023.79	1024.88	1222.25	1/2	1011.30	6/6
Belgium							
BEL20 (1/1/91)	1406.52	1398.97	1392.96	1542.65	9/2	1336.39	7/10
Brazil							
Bovespa (29/12/83)	(u)	43987.0	45734.0	55110.00	13/9	3800.90	3/1
Canada							
Metals Minls♦(1975)	(u)	3784.96	3744.11	4278.02	20/10	3299.06	20/4
Composite♦ (1975)	(u)	4098.30	4085.80	4608.90	23/3	3979.99	24/6
Portfolio§§ (4/1/83)	(u)	2001.48	1996.90	2182.88	1/2	1888.48	20/6
Chile							
IPGA Gen (31/12/80)	(u)	5858.8	5832.3	5754.40	21/11	3801.20	4/4
Denmark							
CopenhagenSE(3/1/83)	344.97	344.40	343.95	415.79	2/2	337.19	8/11
Finland							
HEX General(28/12/90)	1859.0	1853.2	1862.2	1922.00	4/2	1801.19	3/1
France							
SBF 250 (31/12/90)	1292.91	1288.38	1283.06	1589.29	2/2	1227.86	25/10
CAC 40(31/12/87)	1952.38	1945.88	1934.68	2355.93	2/2	1824.42	25/10
Germany							
FAZ Aktien(31/12/58)	778.80	773.13	771.38	859.27	18/5	742.84	5/10
Commerzbank(1/12/53)	2209.9	2200.5	2195.9	2465.50	2/5	2118.30	5/10
DAX (30/12/87)‡	2058.45	2051.62	2055.97	2271.11	18/5	1960.59	7/10
Greece							
Athens SE(31/12/80)	820.50	809.79	806.11	1194.58	18/1	804.37	22/11
Hong Kong							
Hang Seng(31/7/64)	8662.37	8858.83	8647.86	12201.09	4/1	8368.44	4/5
India							
BSE Sens.(1979)	(c)	4132.28†	4075.39	4628.57	12/9	3454.00	5/1
Indonesia							
Jakarta Comp.(10/8/82)	488.64	487.57	488.50	612.89	5/1	449.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1514.86	1809.28	1807.80	2062.16	20/1	1694.14	1/7
Italy							
Banca Comm Ital (1972)	627.21	623.17	626.65	817.17	10/5	588.85	10/1
MIB General (4/1/94)	1016.0	1009.0	1015.0	1318.00	10/5	944.09	10/1
Japan							
Nikkei 225 (16/5/49)	19811.36	18886.93	18701.24	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	274.10	272.73	272.67	311.71	13/6	268.22	4/1
Topix (4/1/68)	1491.42	1484.02	1484.16	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2069.10	2054.34	2060.32	2542.65	8/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1005.23	1011.52	1007.54	1314.46	5/1	928.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2485.17	2438.96	2881.17	8/2	1957.33	20/4
Netherlands							
CBS TtlRtnGen(End 83)	433.7	431.6	432.0	454.90	31/1	406.30	21/6
CBS All Shr (End 83)	272.1	270.8	271.0	294.80	31/1	257.90	21/6
New Zealand							
Cap. 40 (1/7/86)	2008.81	1992.22	1988.17	2439.64	3/2	1945.51	11/7
Norway							
Oslo SE(Ind)(2/1/83)	1055.87	1049.89	1050.30	1211.10	28/2	980.91	21/6
Philippines							
Manila Comp (2/1/85)	2678.90	2723.36	2730.47	3398.37	4/1	2507.33	9/3
Portugal							
BTA (1977)	2862.4	2858.2	2844.0	3226.80	18/2	2612.80	20/6
Singapore							
SES All-S'pore(2/4/75)	542.40	543.85	542.93	641.91	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	2056.0♥	2045.7	2067.0	2594.00	7/9	1749.00	14/2
JSE Indl. (28/9/78)	6937.4♥	6929.2	6949.9	6984.18	22/11	5446.00	19/1
South Korea							
KoreaCmpEx(4/1/80)**	1069.48	1074.55	1065.10	1138.75	8/11	855.37	2/4
Spain							
Madrid SE (30/12/85)	302.86	302.92	301.83	398.31	31/1	288.85	26/10
Sweden							
AffarsvarldsGen (1/2/37)	1502.8	1495.8	1499.0	1683.80	31/1	1334.70	6/7
Switzerland							
Swiss Bk Ind (31/12/58)	1613.76	1209.80	1210.41	1423.34	31/1	1138.72	27/10
SBC General (1/4/87)	815.10	912.70	910.68	1089.29	31/1	878.57	27/10
Taiwan							
WeightedPr.(30/6/66)**	6384.20	6421.82	6340.02	7191.13	30/9	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	1342.13	1349.39	1367.29	1753.73	4/1	1196.59	4/4
Turkey							
Istanbul Crp.(Jan 1986)	27332.03	27003.57	26696.0	28863.60	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)$	609.1*	607.4	606.6	649.99	2/11	591.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1335.02	1328.77	1329.95	1540.19	31/1	1206.48	5/10
Euro Top-100 (26/6/90)	1176.84	1172.68	1172.30	1311.91	2/2	1136.48	5/10
JCapelDrgns (31/12/88)	(u)	311.19	311.04	385.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	169.42	170.00	168.37	191.79	28/9	141.65	21/4

** Sat Nov 26: Taiwan Weighted Price 6439.65; Korea Comp Ex 1081.45. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Nov 28 - 2050.82 -5.45

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	1961.0	1950.0	+18.0	1965.0	1941.0	24,579	15,911
Dec	1970.0	1959.0	+16.0	1973.0	1951.0	12,293	28,307
Jan	1977.0	1966.0	+15.5	1977.0	1970.0	3	503

Open interest figures for previous day.

US INDICES

Dow Jones	Nov 25	Nov 23	Nov 22	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3708.27	3674.63	3677.99	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	93.77	93.76	93.76	105.61 (21/1)	93.75 (21/11)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1429.15	1422.19	1440.82	1862.29 (2/2)	1422.19 (23/11)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	179.61	177.50	173.94	227.06 (3/1)	173.94 (22/11)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3722.40 (3704.91) Low 3675.97 (3612.05) (Theoretical♦)
Day's high 3712.98 (3695.39) Low 3672.61 (3636.97) (Actual♦)

Standard and Poors	Nov 25	Nov 23	Nov 22	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	452.29	449.93	450.09	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	537.21	534.31	537.25	563.10 (28/10)	510.05 (21/4)	563.10 (28/10/94)	3.62 (21/6/32)
Financial	41.04	40.79	39.87	48.94 (14/6)	39.87 (22/11)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	247.60	246.18	246.32	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	434.69	432.40	436.14	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	742.52	736.70	741.21	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Nov 25	Nov 16	Nov 11	Year ago
Dow Jones Ind. Div. Yield	2.87	2.79	2.78	2.72
	Nov 23	Nov 16	Nov 9	Year ago
S & P Ind. Div. yield	2.48	2.38	2.39	2.40
S & P Ind. P/E ratio	18.29	19.03	20.93	27.14

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	453.60	452.40	-1.25	453.70	452.20	39,151	207,092
Mar	-	456.65	-	-	-	2,050	46,481
Jun	-	460.50	-	-	-	8	4,611

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
FPL	1,572,200	34½	+⅛
Telefonos	1,495,400	51½	+1
AT & T	1,392,800	49¾	-¼
Gen Motors	1,233,900	38	+⅛
Citicorp	1,203,200	42	+⅜
Wal-Mart	1,147,300	23¾	+¼
Motorola	1,063,500	56¾	+1
IBM	1,037,200	70⅝	+1¼
Chrysler	1,027,800	48⅝	+¾
Merck	1,018,400	36⅝	+⅝

■ TRADING ACTIVITY

● Volume (million)	Nov 25	Nov 23	Nov 22
New York SE	113.821	430.735	383.248
Amex	7.715	23.100	18.428
NASDAQ	88.857	329.517	329.517
NYSE			
Issues Traded	2,720	2,933	2,933
Rises	1,492	1,144	475
Falls	584	1,236	1,895
Unchanged	664	553	583
New Highs	3	3	8
New Lows	54	344	325

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close November 28

1984 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
$17\frac{7}{8}$	$11\frac{7}{8}$	AAR	0.48	3.8	22	168	$12\frac{5}{8}$	12	$12\frac{1}{4}$	$+\frac{1}{4}$
$18\frac{1}{8}$	$12\frac{5}{8}$	A L Labs A	0.18	1.1	38	64	$17\frac{1}{4}$	$16\frac{7}{8}$	17	$+\frac{1}{8}$
$78\frac{3}{8}$	$57\frac{5}{8}$	AMP	1.68	2.3	22	4808	$71\frac{5}{8}$	71	$71\frac{1}{2}$	$+\frac{3}{8}$
$72\frac{1}{4}$	$48\frac{1}{4}$	AMR			107	2218	$50\frac{5}{8}$	$49\frac{1}{2}$	$50\frac{1}{2}$	$+\frac{5}{8}$
5	$3\frac{1}{8}$	ARX			12	69	$3\frac{7}{8}$	$3\frac{3}{4}$	$3\frac{3}{4}$	
$58\frac{1}{2}$	$38\frac{5}{8}$	ASA x	2.00	4.0	29	592	$44\frac{5}{8}$	$44\frac{1}{4}$	$44\frac{1}{4}$	
33	$25\frac{3}{8}$	AbbotL	0.76	2.4	17	5287	$31\frac{7}{8}$	$31\frac{3}{8}$	$31\frac{7}{8}$	$+\frac{1}{8}$
$15\frac{3}{4}$	$11\frac{3}{8}$	Abitibi Pr	0.50	4.0	11	8	$12\frac{5}{8}$	$12\frac{1}{2}$	$12\frac{5}{8}$	
$23\frac{5}{8}$	$17\frac{3}{4}$	ABM Ind	0.52	2.6	12	57	$20\frac{3}{8}$	$20\frac{1}{4}$	$20\frac{1}{4}$	
18	$11\frac{1}{8}$	Acptncetn			10	697	$13\frac{1}{2}$	13	$13\frac{1}{4}$	$-\frac{1}{8}$
37	$21\frac{3}{4}$	ACE Ltd	0.44	2.0	21	178	$21\frac{7}{8}$	$21\frac{5}{8}$	$21\frac{5}{8}$	
$12\frac{1}{2}$	6	ACM Gvt In	1.09	11.4	8	611	$8\frac{3}{4}$	$8\frac{1}{2}$	$8\frac{5}{8}$	
$10\frac{1}{8}$	$6\frac{7}{8}$	ACM GvOpp	0.06	16.8		118	$7\frac{3}{8}$	$7\frac{1}{4}$	$7\frac{3}{8}$	
$10\frac{5}{8}$	$6\frac{3}{4}$	ACM Gvt Sp	0.96	13.2		934	$7\frac{1}{2}$	$7\frac{1}{4}$	$7\frac{1}{4}$	$-\frac{1}{8}$
12	$7\frac{7}{8}$	ACM Gvt Se	1.00	12.7		580	$8\frac{5}{8}$	$8\frac{1}{2}$	$8\frac{5}{8}$	$-\frac{1}{8}$
$11\frac{3}{8}$	$7\frac{3}{8}$	ACM Man	1.08	12.7		342	$8\frac{5}{8}$	$8\frac{3}{8}$	$8\frac{1}{2}$	
$6\frac{3}{4}$	8	ACM Managd	0.72	5.7		117	$8\frac{3}{8}$	$6\frac{1}{4}$	$6\frac{1}{4}$	
$15\frac{1}{2}$	$8\frac{3}{4}$	AcmeClv	0.44	4.0	22	65	$11\frac{1}{8}$	11	11	
$13\frac{5}{8}$	$6\frac{1}{2}$	Acme Elect			13	85	$13\frac{1}{4}$	$12\frac{7}{8}$	13	$+\frac{1}{4}$
$28\frac{7}{8}$	23	Acordia x	0.60	2.1	14	29	u28$\frac{7}{8}$	$28\frac{5}{8}$	$28\frac{7}{8}$	$+\frac{3}{8}$
$13\frac{3}{4}$	$5\frac{3}{4}$	Action	0.39	3.7	2	380	10	$9\frac{3}{4}$	$9\frac{3}{4}$	
$18\frac{3}{8}$	$11\frac{3}{4}$	Acuson			25	709	$15\frac{3}{4}$	$15\frac{1}{4}$	$15\frac{1}{2}$	
$18\frac{3}{8}$	$15\frac{3}{8}$	Adams Expr x	0.60	4.3	8	176	16	d15$\frac{3}{4}$	$15\frac{7}{8}$	$-\frac{1}{8}$
64	$46\frac{1}{2}$	Ad Micro x	3.00	5.5		21	$54\frac{3}{8}$	54	$54\frac{1}{8}$	
$31\frac{3}{4}$	$16\frac{3}{4}$	AdvMic	3.00	11.8	8	7747	$25\frac{5}{8}$	$25\frac{1}{8}$	$25\frac{1}{2}$	$+\frac{1}{4}$
$6\frac{7}{8}$	5	Advest Grp	0.16	8.8	15	20	$5\frac{3}{8}$	$5\frac{1}{4}$	$5\frac{3}{8}$	
20	15	Adro Inc	0.10	0.5	17	7	$18\frac{1}{4}$	$18\frac{1}{4}$	$18\frac{1}{4}$	$-\frac{1}{8}$
64	$48\frac{3}{8}$	Aegon ADR	1.47	2.3	12	67	$62\frac{3}{4}$	$62\frac{1}{4}$	$62\frac{1}{4}$	$-\frac{1}{8}$
$65\frac{3}{4}$	$42\frac{1}{4}$	AetnaL	2.76	0.3	5	1172	44	$43\frac{1}{2}$	$43\frac{3}{4}$	$+\frac{1}{4}$
$38\frac{1}{8}$	$25\frac{1}{4}$	Aflac x	0.46	1.4	12	597	$34\frac{1}{4}$	$33\frac{7}{8}$	34	$-\frac{1}{8}$
$22\frac{3}{4}$	$15\frac{3}{4}$	Ahmnan	0.88	5.3	8	2926	$16\frac{7}{8}$	$16\frac{1}{2}$	$16\frac{3}{4}$	$+\frac{1}{4}$
4	$1\frac{3}{8}$	Aileen Inc			1	46	$1\frac{3}{4}$	$1\frac{5}{8}$	$1\frac{3}{8}$	$-\frac{1}{8}$
$65\frac{3}{8}$	$36\frac{7}{8}$	AirPrC	0.98	2.2	21	1028	$44\frac{1}{4}$	$43\frac{7}{8}$	$44\frac{1}{8}$	$+\frac{1}{8}$
[illegible]										

- A - (continued) [illegible]

- B - [illegible]

- C - [illegible]

- D - [illegible]

- E - [illegible]

- F - [illegible]

- G - [illegible]

- H - [illegible]

- I - [illegible]

- J - [illegible]

- K - [illegible]

- L - [illegible]

- M - [illegible]

- N - [illegible]

- O - [illegible]

- P - Q - [illegible]

- R - [illegible]

- S - [illegible]

Continued on next page

4 pm close November 28

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	1994 Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
9 3/8	4 5/8	Salant Crp			18	81	5	4 7/8	5	
49 7/8	31 1/4	Sallie Mae	1.48	4.4	0	3632	33 5/8	32 7/8	33 1/2	+1 1/8
13 7/8	11	Salomon Br c	0.38	3.5	22	382	11 1/4	d11	11	-1/8
52 1/4	35 5/8	Salomon	0.64	1.1	22	1019	36 7/8	36 5/8	36 3/4	-1/8
25	17 1/2	SnDgSE	1.52	7.6	16	226	19 7/8	19 3/4	19 7/8	+1/8
18	7 1/2	SantaFeEPts	0.16	1.9	9	599	8 5/8	8 1/2	8 1/2	
17 7/8	12 1/2	SFeGd			37	4357	13	d12 1/2	12 5/8	-3/8
33 1/4	31 1/8	SFePPipe	2.80	8.6	9	141	33	32 7/8	32 5/8	-1/8
29 3/4	12 1/8	SanFeP	0.18	0.8	13	12511	16 1/2	16 1/8	16 3/8	
26	19 3/8	SaraLee x	0.68	2.7	53	4728	24 7/8	24 1/2	24 3/4	-1/8
50 1/8	41	Scana Corp	2.82	6.5	12	712	43 1/4	42 1/2	43 1/8	+5/8
20 1/2	12 1/2	Scecrp	1.00	7.2	9	5677	14	13 3/4	13 7/8	-1/8
44 5/8	31 3/4	SchererRP			26	125	42 3/4	42	42 5/8	+1/4
75 1/2	54 1/2	SchrPl	2.04	2.7	15	5119	75 1/8	73 3/4	74 7/8	+1
63	50 3/4	Schlmb	1.20	2.2	28	6646	54 3/4	53 7/8	54 5/8	+1
37	23 3/4	Schwab(C)	0.28	0.9	14	3930	31 1/8	31 1/8	31 3/8	+3/8
10 3/4	6 1/8	Schweitzer			7	202	8	7 3/4	8	
22 5/8	12 1/2	SciAtl c	0.06	0.3	37	1751	20 3/8	20	20	-1/8
16 1/4	13	Scotman	0.10	0.6	12	15	16 3/4	16 3/8	16 3/4	+1/8
67 7/8	37 1/4	ScottP x	0.80	1.2	38	2606	64 3/4	63	64 3/4	+1 1/8
28 3/4	18 5/8	ScudderNAsF	0.21	1.8		44	21 7/8	21 3/4	21 3/4	-1/2
12 1/8	6 3/4	ScudderNEuF	0.16	1.8		270	9 1/4	9	8 3/4	
18 1/4	13 1/4	SeaCnB	0.70	5.2	8	30	13 1/2	13 1/2	13 1/2	+1/4
16 1/2	14 1/4	SeaC1 4625 c	1.46	9.9		12	14 3/4	14 1/2	14 3/4	-1/8
32 5/8	28 1/4	Seagrm	0.60	2.1	22	1108	28 1/2	28 1/4	28 3/8	+1/8
29 3/4	20 3/4	Seagull En			36	1197	31 1/8	31	21 3/4	+1/4
36 1/4	26 5/8	Sealed Air			30	172	35 1/8	34 1/2	34 3/4	-1/8

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

4 pm close November 28

AMEX COMPOSITE PRICES

NASDAQ NATIONAL MARKET

4 pm close November 28

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

- B -

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- E -

- F -

- G -

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- I -

- J -

FINANCIAL TIMES

Tuesday November 29 1994

AMERICA

Retail stocks benefit from Thanksgiving

Wall Street

US share prices gained modestly yesterday morning as investors looked for good value amid the wreckage of last waek's sell-off, *writes Lisa Bransten in New York.*

By 1 pm the Dow Jones Industrial Average was up 18.84 at 3,727.11. The more hroadly based Standard & Poor's 500 rose 0.51 to 452.80, while the American Stock Exchange composite lost 0.46 at 434.23. The Nasdaq composite was up 1.77 at 744.29. Trading volume on the NYSE came to 150m shares.

The Dow fell more than 140 points in the first three days of last week and then posted a 33-point recovery on Friday in extremely low volumes. The market was closed Thursday for the Thanksgiving holiday.

Some analysts still believe there may be a traditional year-end rally hut most are bearish about the longer term prospects for the market. Statistics released early in the morning showed sales of existing homes had increased 0.5 per cent in October, in spite of increasing interest rates, and many fear such data could prompt the Federal Reserve to raise interest again in the near term, thus depressing corporate earnings.

Prices of leading retailers were mixed with companies posting gains outpacing those showing losses after reports from shopping malls across the country of a busy Thanksgiving weekend.

Stores showing increases included Nordstrom $⅝ higher at $46¼, Gap $⅝ at $36, Ann Taylor $¾ at $39¼, Dillard Department Stores $¼ at $27⅞, Dayton Hudson $⅝ at $78⅞, and May Department Stores $⅝ at $36¼. JC Penney fell $1⅞ at $46½ and Sears, Roebuck was off $¼ at $47⅞. Wal-Mart was unchanged at $23⅞.

Shares of RJR Nabisco Holdings fell $⅛ at $6⅛, in spite of news from the consumer products giant that it was developing a smokeless cigarette.

Campbell Soup shares were up $⅝ at $43⅝ after the company announced that it had agreed to buy Pace Foods, the salsa maker, for $1.1bn. Campbell said that the deal would probably dilute earnings-per-share in 1995 and 1996.

Canada

Toronto fell slightly in quiet midday trading as interest rate concerns and weakness in other markets sapped investors' confidence.

Declines in golds, financial services, and energy stocks outpaced gains led by conglomerates and forestry products.

The TSE 300 index eased 3.80 to 4095.40 in low volume of 19.1m shares.

Among active stocks, Stelco class A topped the list, rising C$⅛ to C$7⅛ while Federal Industries class A traded flat at C$5½.

Bank of Nova Scotia fell C$¼ to C$27⅞ ahead of fourth quarter results due later this week.

Brazil

Shares were off 1.3 per cent in São Paulo hy midsession although activity was slow. The Bovespa index was off 569 at 43,418 at 1 pm in low turnover of R$70m ($81.7m).

Telebras preferred was down 1.5 per cent at R$36.35.

Venezuela

Shares fell in Caracas as the forthcoming share subscription from Electricidad de Caracas weighed on sentiment.

The Merinvest composite index was off 0.60 at 116.64.

S Africa pulls back from high

Johannesburg pulled back from early highs to finish little changed after worries resurfaced about the prospects for further declines on Wall Street later in the week.

Traders said golds were attracting interest at current levels, but needed a higher bullion price before a sustained rally could be expected.

The overall index collected 2.5 to close at 5,833.9, after an early peak of 5,850.9. Industrials rose 4.9 to 6,934.2 and golds put on 10.3 at 2,056.

De Beers finished 50 cents weaker at R93.50.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	+0.74	+1.50	-4.87	-13.37	-8.88	-3.74
Belgium	+0.72	+2.01	-3.70	-8.90	-2.76	+2.73
Denmark	-0.69	+1.35	-3.22	-10.15	-5.34	+0.00
Finland	-4.18	-5.34	+25.14	+22.24	+39.37	+47.22
France	+0.71	+2.06	-6.87	-13.47	-9.70	-4.60
Germany	-2.14	+0.44	-2.88	-10.97	-6.13	-0.83
Ireland	-1.37	-0.85	+5.24	-1.59	+1.89	+7.83
Italy	-4.32	-2.57	+16.21	+1.12	+1.29	+7.01
Netherlands	-1.04	-1.76	+1.00	-5.36	-0.36	+5.26
Norway	-0.54	-0.96	+5.00	-1.56	+2.55	+8.33
Spain	+0.55	+3.34	+0.01	-7.52	-3.87	+1.56
Sweden	-1.19	+1.44	+15.41	+7.04	+13.08	+19.46
Switzerland	-1.09	+3.49	-3.79	-11.00	-5.27	+0.07
UK	-3.07	-1.47	-1.67	-10.97	-10.98	-5.95
EUROPE	-1.80	+0.02	-0.97	-8.31	-6.54	+1.27
Australia	+0.40	-4.82	-4.72	-10.31	-4.95	+0.41
Hong Kong	-8.80	-8.81	-8.37	-29.04	-32.86	-29.08
Japan	-2.41	-5.14	+0.26	+2.71	+9.56	+16.06
Malaysia	-4.38	-8.71	+6.08	-19.94	-20.16	-15.65
New Zealand	-3.46	-5.70	+1.29	-4.08	+0.68	+6.36
Singapore	-5.78	-6.82	+9.86	-7.96	-4.34	+1.05
Canada	-0.74	-4.80	-0.70	-2.38	-11.10	-6.08
USA	-1.90	-4.25	-1.59	-2.51	-7.71	-2.51
Mexico	+2.25	-4.18	+12.18	-5.67	-19.53	-14.98
South Africa	-1.41	+1.85	+41.02	+19.68	+16.21	+22.77
WORLD INDEX	-2.17	-3.56	-0.61	-3.95	-3.52	-3.53

† Based on November 25, 1994.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY NOVEMBER 25 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY NOVEMBER 24 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	167.56	1.4	158.94	104.61	135.80	146.66	1.4	3.89	165.22	156.82	102.81	133.85	144.65	189.15	149.36	154.14
Austria (16)	178.06	0.5	168.90	111.18	144.31	144.28	0.5	1.13	177.22	168.21	110.27	143.57	143.54	196.89	167.46	171.09
Belgium (35)	167.09	0.2	158.49	104.31	135.41	132.10	0.1	4.18	166.79	158.31	103.79	135.11	131.90	177.04	152.74	154.07
Brazil (28)	163.35	-4.3	154.94	101.98	132.39	258.28	-3.7	0.80	170.61	161.93	106.16	138.21	268.12	-	-	-
Canada (103)	127.53	0.1	120.97	79.62	103.36	127.09	0.2	2.69	127.39	120.92	79.27	103.20	126.82	145.31	120.54	133.05
Denmark (33)	247.20	0.2	234.49	154.33	200.35	205.27	0.3	1.45	246.72	234.17	153.51	199.86	204.73	275.79	230.27	230.27
Finland (24)	181.38	-0.9	172.05	113.24	147.00	183.03	-0.4	0.76	183.09	173.78	113.92	148.32	183.71	201.41	116.85	119.71
France (102)	167.87	0.4	159.23	104.80	136.05	141.03	0.3	3.04	167.14	158.64	104.00	135.40	140.33	185.37	159.34	163.14
Germany (58)	139.08	-0.2	131.93	86.83	112.72	112.72	-0.2	1.84	139.39	132.31	86.73	112.92	112.92	150.40	128.37	130.41
Hong Kong (56)	347.04	0.5	329.19	216.66	281.27	344.49	0.5	3.48	345.40	327.84	214.92	279.81	342.86	506.56	341.29	379.03
Ireland (14)	199.36	-0.2	189.10	124.46	161.57	182.26	0.1	3.51	199.75	189.60	124.29	161.82	182.18	216.60	172.99	173.40
Italy (59)	73.40	-1.4	69.62	45.82	59.49	88.67	-1.0	1.78	74.47	70.68	46.33	60.33	89.57	97.78	60.17	60.46
Japan (468)	151.03	-0.3	143.26	94.29	122.40	94.29	0.1	0.82	151.44	143.74	94.23	122.68	94.23	170.10	124.54	137.38
Malaysia (97)	498.95	0.3	473.28	311.50	404.38	491.36	0.3	1.71	497.42	472.13	309.51	402.96	490.02	621.63	430.71	471.22
Mexico (18)	2029.78	2.0	1925.35	1267.20	1645.03	7648.65	2.0	1.34	1989.50	1888.33	1237.90	1611.86	7494.70	2647.06	1696.28	2008.35
Netherland (19)	209.56	-0.1	198.80	130.84	169.88	167.04	-0.1	3.48	209.73	199.07	130.50	169.91	167.20	223.30	187.93	198.97
New Zealand (14)	72.23	0.4	68.51	45.09	58.54	61.83	0.4	4.73	71.96	68.30	44.77	58.29	61.57	77.59	61.27	63.06
Norway (23)	194.61	-0.1	184.60	121.49	157.72	180.52	0.0	1.83	194.79	184.89	121.20	157.80	180.46	211.74	165.52	170.72
Singapore (44)	371.40	0.3	352.30	231.87	301.01	250.81	0.2	1.70	370.38	351.55	230.46	300.05	250.22	401.38	294.66	310.32
South Africa (59)	327.97	-1.1	311.09	204.75	265.80	298.78	-0.7	2.18	331.59	314.72	206.32	268.61	301.86	342.00	205.55	221.80
Spain (38)	141.52	0.6	134.23	88.35	114.69	139.54	0.8	4.19	140.81	133.65	87.61	114.07	138.67	155.79	128.88	132.31
Sweden (36)	234.56	-0.8	222.52	146.45	190.12	259.37	-0.4	1.54	236.56	224.52	147.19	191.63	260.37	242.81	175.83	181.04
Switzerland (47)	160.26	0.1	152.02	100.05	129.88	131.22	0.1	1.86	160.12	151.98	99.63	129.71	131.11	176.58	146.71	146.71
Thailand (46)	156.43	-0.4	148.38	97.66	126.78	151.99	-0.4	2.39	157.10	149.11	97.75	127.27	152.58	-	-	-
United Kingdom (204)	192.64	-0.1	182.92	120.39	156.29	182.92	-0.1	4.21	192.95	183.14	120.06	156.31	183.14	214.96	181.11	186.76
USA (513)	185.15	0.6	175.63	115.59	150.06	185.15	0.6	2.96	184.13	174.77	114.57	149.18	184.13	196.04	176.85	188.14
Americas (862)	172.96	0.5	164.06	107.98	140.17	143.86	0.5	2.89	172.10	163.35	107.09	139.42	143.13	-	-	-
Europe (708)	157.42	-0.1	158.81	104.52	135.68	149.70	0.0	3.13	157.55	159.03	104.25	135.73	149.75	178.59	156.32	156.32
Nordic (116)	223.10	-0.8	211.62	139.28	180.81	210.63	-0.2	1.40	224.42	213.00	139.64	181.80	211.10	233.91	173.19	176.72
Pacific Basin (793)	159.64	-0.1	151.42	99.66	129.38	104.10	0.1	1.18	159.83	151.71	99.45	129.48	103.94	176.86	134.79	146.80
Euro-Pacific (1501)	162.81	-0.1	154.43	101.84	131.95	122.01	0.1	2.08	162.88	154.69	101.41	132.02	121.92	175.14	143.88	150.63
North America (616)	181.58	0.5	172.24	113.36	147.18	181.16	0.5	2.95	180.61	171.43	112.38	146.31	180.19	192.73	175.67	184.72
Europe Ex. UK (504)	150.07	-0.1	142.35	93.68	121.63	129.86	0.0	2.50	150.20	142.57	93.46	121.68	129.84	168.12	136.56	136.96
Pacific Ex. Japan (325)	243.55	0.6	231.02	152.05	197.39	214.71	0.6	3.04	242.02	229.71	150.59	196.06	213.40	298.21	232.59	237.30
World Ex. US (1709)	164.82	-0.1	156.15	102.77	133.42	125.68	0.1	2.03	164.84	156.46	102.57	133.53	125.62	176.65	145.58	152.04
World Ex. UK (2018)	168.25	0.1	159.59	105.04	136.36	140.07	0.3	2.18	168.03	159.49	104.55	136.12	139.70	178.59	155.96	160.84
World Ex. Japan (1764)	182.52	0.3	173.13	113.95	147.93	173.46	0.3	2.97	182.04	172.73	113.27	147.47	172.96	195.20	176.34	178.36
The World Index (2222)	170.42	0.1	161.65	106.39	138.12	143.93	0.2	2.36	170.23	161.57	105.92	137.90	143.60	180.80	158.85	163.12

Latest prices were unavailable for this edition.

EUROPE

Bourses search for inspiration amid dull trading

The Continent's bourses mostly started the week with little desire to move ahead.

FRANKFURT struggled to make progress and the DAX index closed the official session a scant 6.83 higher at 2,058.45, losing this in the Ibis session to settle at 2,050.82. Turnover came to DM4bn.

In chemicals, Bayer, up DM4.30 at DM344.30, led tbe way after reporting a third-quarter profits rise of more than 30 per cent compared with the same period in 1993.

The company said that it expected to see a continuation of performance throughout the rest of the year and might lift the dividend payment from the DM11 level of 1993. in common with the market, the stock drifted lower in tbe post-bourse, to close at DM342.10.

Elsewhere, BASF firmed 20 pfenniga to DM307.50 and Hoechst, which releases figures tomorrow, rose 50 pfennigs to DM318.00.

The car sector concentrated on Volkswagen, off DM10.60 at DM441.20, and then to DM43.50 in the post bourse, as Deutsche Bank downgraded its 1995 earnings per share forecast to DM24 from DM32.

PARIS notcbed up an unimpressive rise, wbile turnover was an unexceptional FFr3bn. The CAC-40 index added 6.49 at 1,952.38.

Rhône-Poulenc sank FFr2.30 to FFr134.50 following what was perceived as unfavourable comments in the local media by the company.

Carrefour, whicb benefited earlier in the session from an upgraded opinion from Merrill Lynch, closed the day just FFr1 higher at FFr2,150. Mr Charles Allen, European retail analyst at Merrill, said that he had been positive on the company for some time, given its strong exposure to developing markets and the prospect of 20 per cent earnings growth over the next five years.

MILAN staged a hroad advance, making the most of the calmer political situation, hut Credito Italiano was a heavy loser as speculation grew that it was about to raise its bid for Credito Romagnolo. The Comit index finished 4.04 higher at 627.21.

The FIB 30 futures index made a reserved debut, although all three contracts quoted registered gains. Futures volumes were modest, but dealers said that this was to be expected as investors waited to see how the index fared before committing themselves.

Romagnolo, which rallied 3 per cent last Friday, was suspended yesterday, pending an announcement.

Italiano fell L66 or 4 per cent to L1,572 amid expectations that it would raise its bid for Romagnolo, and also seek more than the 48 per cent stake mooted when its bid was launched a month ago.

Cir, Mr Carlo De Benedetti's industrial holding company, appreciated L32 to L1,801 while Olivetti was L26 stronger at L1,891, amid reports that Mr Oe Benedettl was willing to sell his 5 per cent stake in Romagnolo.

ZURICH put in a firm early performance in response to the dollar and bonds, but edged back from its best levels on a lack of follow-through buying. The SMI index finished 6.9 higher at 2,579.4.

UBS bearers dipped SFr5 to SFr1,130. After the bourse closed, the bank said that the Zurich district court had imposed a temporary bar on the registration of changes to by-laws, agreed by last week's extraordinary shareholders meeting, which agreed the creation of a single category of shares. The bank added that it was not surprised by the decision.

Bearer shares in Von Roll picked up SFr31 to SFr230 on the view that the price had fallen too far last week after news that the technology group was cutting its equity capital by 90 per cent.

A SFr35 advance in Bank Julius Baer to SFr1,280 was attributed to a buy recommendation.

AMSTERDAM picked up ground after Friday's loss but activity was slack. The AEX index gained 1.99 to 408.44.

Royal Dutch strengthened 90 cents to Fl 186.70 with Paine Webber of the US said to have raised its opinion on the stock.

OSLO finished higher as unofficial estimates of very heavy turnout in the country's EU referendum, and the last minute opinion polls, raised the prospect that supporters of membership might win the day. The All-share index closed 8.75 higher at 608.52 in turnover of NKr304m.

Norske Skog Free, regarded as having much to gain from a "yes" vote, were up NKr4 at NKr177.

Dealers noted that a "yes" could, paradoxically, lead to a sharper market fall than a "no", since a majority was unlikely to be wide enough to secure automatic parliamentary ratification, leading to further weeks of uncertainty.

STOCKHOLM strengthened in slow dealing, with the result from Norway one way or the other unlikely to have a significant impact on prices. The Affärsvärlden general index put on 7.2 to 1,502.8.

MoDo B gained SKr2 to SKr350.50, following an upgrade.

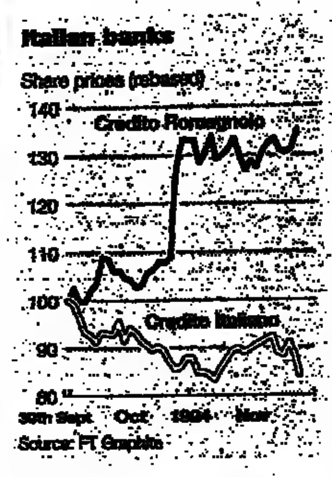
Written and edited by John Pitt and Michael Morgan

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Nov 28 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1339.10	1339.29	1338.43	1338.70	1338.22	1335.62	1333.76	1335.02
FT-SE Eurotrack 200	1391.04	1391.25	1391.58	1390.68	1390.29	1387.31	1385.79	1387.54

	Nov 25	Nov 24	Nov 23	Nov 22	Nov 21
FT-SE Eurotrack 100	1328.77	1329.95	1313.33	1331.93	1351.17
FT-SE Eurotrack 200	1380.81	1383.40	1370.41	1391.75	1411.82

Base 1000 (26/10/90); High/day: 100 - 1339.60; 200 - 1391.71 Low/day: 100 - 1333.34 200 - 1385.50 † Partial



Source: FT Graphite

ASIA PACIFIC

Arbitrage and public fund buying helps Nikkei rally

Tokyo

Arbitrage buying and purchases hy public funds pushed share prices higher, and the Nikkei 225 average snapped out of weakness following five consecutive sessions of declines, *writes Emiko Terazono in Tokyo.*

The index ended 144.43 firmer at the day's best of 18,811.36 after opening at a low of 18,727.75. Activity, however, was slow and volume totalled 184m shares, against 260m.

A higher futures market pushed up stock prices, while public funds absorbed selling by overseas investors. But most investors remained absent due to continued worries over share price movements on Wall Street.

Traders fear that a fall in US sbares will prompt profit-taking in the Tokyo market by US pension fund managers, who have been active buyers since the start of the year. A further weakening of the yen could also prompt selling by overseas investors eager to lock in foreign exchange profits on their Japanese stock investments.

The Topix index of all first section stocks rose 7.40 to 1,491.42, while the Nikkei 300 put on 1.43 at 274.16. Rises led falls hy 656 to 332, with 189 issues unchanged. In London the ISE/Nikkei 50 index gained 2.13 at 1,226.99.

In spite of the rise in the indices, 63 issues hit lows for the year. The lack of fresh news on the main market triggered some buying of small-capitalisation stocks on the second section, the latter's index advancing 14.78 to 2,069.10.

Nippon Soda added Y17 at Y587 on reports that it was seeking to market a high-tech glass that cleans itself using ultraviolet sun rays. Speculators sold Ashimori Industry, which fell Y30 to Y649.

Japan Airlines lost Y29 at Y681 on reports disclosing its huge unrealiaed foreign exchange losses. The company said it had around Y176bn in exchange losses stemming from 10-year forward rate contracts made in 1985 to 1986.

Brokers, which have been weak on fears of poor earnings, rallied. Nikko Securities rose Y20 to Y1,020 and New Japan Securities Y15 to Y645.

High-technology shares were higber, Oki Electric gaining Y14 at Y693 and NEC Y10 at Y1,150, but Sony slipped Y20 to Y5,140.

Privatisation issues were firmer. Japan Tobacco improved Y1,000 to Y961,000 and Nippon Telegrapb and Telephone Y5,000 to Y834,000.

in Osaka, the OSE average moved up 64.39 to 20,810.72 in volume of 16.3m shares.

Roundup

A lethargic mood afflicted much of the region.

SEOUL extended early losses on aggressive selling by institutions moving into cash, and tbe composite index receded 11.97 to 1,069.48. Volume, however, was a light 31m shares, compared with a recent daily average of 50m.

Dealers said concern about a liquidity squeeze also cast gloom on the market, adding that some institutions had been forced to buy corporate bonds to limit recent yield rises as a result of tight liquidity.

HONG KONG finished little changed, with sharp early gains falling victim to caution about the future direction of US financial markets. The Hang Seng index ended 3.54 up at 8,662.37 after touching 8,751.18. Turnover dipped to HK$2.2bn from Friday's HK$2.7bn.

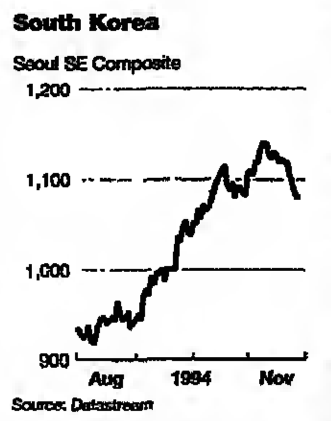
HSBC topped the actives list and held steady at HK$86, followed by Hongkong Telecom, which gained 30 cents at HK$15.35, and Hutchison, unchanged at HK$31.30.

Players noted that index futures had stayed at a discount to the spot index until very late in the day, adding further to market wariness.

SINGAPORE followed the same course, closing flat after trimming most of its early gains in a trendless market. The Straits Times Industrial index gained only 0.22 at 2,237.97, after dropping from the day's peak of 2,254.83.

Singapore Telecommunication, which reported a 13.8 per cent rise in net earnings, shed 3 cents to S$2.97.

Analysts said funds were only likely to become interested in the stock when it fell more in line with market valuations.



Source: Datastream

KUALA LUMPUR drifted for much of the day before ending weaker as investors liquidated holdings near the close to trim losses. The composite index slipped 6.29 to 1,005.23 in estimated volume of 79.3m shares.

Country Heights, the property developement group, rose 90 cents to M$6.90 on good corporate results.

TAIPEI drifted down amid late profit-taking after rises in the previous two trading days. Brokers said they expected further consolidation before the December 3 elections.

The weighted index lost 55.45 at 6,384.20 after an intraday high of 8,475.22. Turnover was T$34.2bn.

Profit-taking focused on textiles and steels, which had gained most in previous sessions: Shinkong Fibres retreated T$1.60 to T$30.80 and steel group Kao Hsing Chang T$1.30 to T$29.30.

Low-priced fund shares which are expected to issue high dividends in early 1995 attracted some buying from institutional investors, with Core Pacific moving up T$0.10 to T$11.35.

President Enterprises rose T$0.50 to T$55 on news that five foreign companies planned to invest T$1.9bn to buy 12 per cent of its unlisted affiliate President Chain Store. Farmers Bank climbed by the daily 7 per cent limit to T$48.10 on its debut.

MANILA fell sharply at the close as investors sold holdings in major issues, including Petron. The composite index lost 1.6 per cent.

Petron was hardest hit during the market's retreat, falling 4.6 per cent to 20.50 pesos.

Property shares, which in early trade showed resilience, also fell: Filinvest Land declined 2.12 per cent to 9.20 pesos and Megaworld Properties dipped 1.5 per cent to 16.25 pesos.

SYDNEY was firmer but sentiment remained cautious as investors looked to the start of trading in New York. The All Ordinaries index closed 1.8 up at 1,918.0 in turnover estimated at A$312m. The December futures contract was 7 ahead at 1,900.

Among banks, ANZ lost 6 cents at A$3.98 following recent gains on better than expected results last week. Other banks were also weak, NAB losing 2 cents at A$10.72.

BANGKOK fell on a lack of incentives after gaining almost 10 points in the morning. The SET index closed 7.26 lower at 1,342.13, after fluctuating between 1,331.87 and 1,358.86, in thin turnover of Bt3.52bn.

Profit-taking, particularly in finance counters, surfaced after the index moved closed to the 1,359 resistance level, according to brokers.

Buying interest emerged in bank and building materials stocks before the close. The building materials sector, led by Siam Cement which jumped Bt24 to Bt1,360 on a 34 per cent rise in net profits, was the biggest gainer.